Presidential debate

Bush on the ropes

Page 18

I G Metall

Successful union on the defensive

Page 19

VAT shake-up

Big problems for European companies

Page 13

Surveys

● *Computers and Communications*

Section III

● *European finance and investment: France*

Pages 31-34

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY OCTOBER 13 1992 — D8523A

More than 240 die in Egypt's worst earthquake

At least 241 people were killed and 2,000 injured in Cairo when the most powerful earthquake in Egypt's history hit the city of 12 million people. Among the dead and injured were children crushed when people tried to escape from swaying, shaking buildings. Security sources said they had reports of 80 collapsed or damaged buildings across the city of 12 million. Page 4

Bush trails in debate: US president George Bush's struggle to be re-elected looked even harder as he was widely judged to have turned in the poorest performance in the first televised US presidential debate on Sunday night. Page 20; Deputies in election limelight, Page 8

US markets: The Dow Jones Industrial Average closed up 37.83 at 3,174.41, almost recouping Friday's 39.45-point loss as US markets revived on fresh hopes for a cut in US interest rates. Page 46

EC VAT deadline: Hundreds of thousands of European companies will not beat a January 1 deadline for modifying information and computer systems in order to achieve radical changes in their handling of value added tax. Page 20; Editorial Comment, Page 18; Details, Page 13

Eighth London bomb: At least 13 people were injured, some seriously, in a lunchtime bomb blast at a bar in central London. It was the eighth blast in the capital since the IRA started its London bombing campaign last Wednesday. Page 11; Picture, Page 20

UK tank maker: Vickers, the UK engineering group, accused the Bush administration in the US of using political clout to secure a crucial Kuwaiti tank deal for the US company General Dynamics just before the American presidential election. Page 20; Observer, Page 19; Lex, Page 20

Philip Morris's chocolate win: Kraft General Foods International, part of the Philip Morris group of the US, won control of more than 50 per cent of Freia Marabou, Scandinavia's leading chocolate and snacks producer. Page 21

Iliescu re-elected: Romanian president Ion Iliescu, a former top Communist official, has secured re-election with an almost two-thirds majority.

FT-SE Mid 250 index: On its first day, the new FT-SE Mid 250 index showed the way in which shares of mid-sized companies often move differently from those of larger rivals.

The FT-SE Mid 250, containing the 250 companies ranking in size just below the FT-SE 100, closed yesterday at 2,403.0, up 10.1 points. The big companies in the FT-SE 100 did much better: that index closed at 2,557.2, up 16.0 points. The other new index, the FT-SE Actuaries 350 (which combines the FT-SE 100 and the FT-SE Mid) closed at 1,230.4, up 7.1. Details and new index table, Page 35

Americans win medical Nobel prize: Two US biochemists, Edwin Krebs and Edmond Fischer, jointly won the 1992 Nobel Medicine Prize for work that could advance the search for an anti-cancer drug.

Columbus commemoration:

On the 500th anniversary of Christopher Columbus's landfall in the New World, tourists pose in front of a replica of his ship on the final day of the Expo 92 exhibition in Seville.

Volvo plant closures: Volvo, Sweden's leading car manufacturer, will decide next month on closure of two of its three showcase Swedish assembly plants. Page 21

Lucas to restructure: Lucas Industries, one of the UK's largest engineering groups, is to shed at least 4,000 jobs in a three-year restructuring programme. The group made a provision for the moves of £88.4m ($151m) in its 1991-92 financial results, which showed a sharp reduction in annual pre-tax profits to £22.5m and a net loss of £8.8m. Page 21; Lex, Page 20

■ STOCK MARKET INDICES		
FT-SE 100:	2,557.2	(+16.0)
Yield	4.70	
FT-SE Eurotrack 100	884.55	(−2.53)
FT-A All-Share	1,207.77	(+0.6%)
Nikkei	17,302.01	(+242.23)
New York:		
Dow Jones Ind Ave	3,174.41	(+37.83)
S&P Composite	407.44	(+4.78)
■ US RATES		
Federal Funds:	closed	
3-mo Treas Bills: Yld	closed	
Long Bond	closed	
Yield	closed	
■ LONDON MONEY		
3-mo Interbank	8¾%	(9%)
Liffe long gilt future:	Dec 96 3/32	(Dec 96 11/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$20.85	(20.825)
■ Gold		
New York Comex	$345.2	(350.4)
London	$345.8	(350.85)

■ STERLING		
New York		
$	1.7062	(1.692)
London:		
$	1.705	(1.691)
DM	2.51	(2.5125)
FFr	8.5325	(8.515)
SFr	2.2325	(2.2225)
Y	206.25	(same)
£ Index	82.8	(same)
■ DOLLAR		
New York		
DM	1.4682	(1.488)
FFr	5.085	(5.046)
SFr	1.3077	(1.316)
Y	120.72	(121.85)
London:		
DM	1.472	(1.4855)
FFr	5.805	(5.035)
SFr	1.314	(same)
Y	121.85	(121.95)
$ Index	61.7	(61.9)
Tokyo close Y 121.82		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs36	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs36	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		

Lamont says UK inflation must come down further

By Peter Norman and Ralph Atkins in London

MR Norman Lamont, Britain's chancellor of the exchequer, yesterday said UK economic policy would continue to be aimed at cutting inflation and rejected any idea of promoting faster growth.

The chancellor, questioned by a powerful parliamentary panel, the all-party Commons Treasury and Civil Service committee, said the government would pay careful attention to the sterling exchange rate in formulating monetary policy.

The UK would have no exchange rate target now that it had left the European exchange rate mechanism, he said. Nevertheless he would "attach particular importance" to the pound's movements against the Bank of England's trade weighted index of currencies.

He also said Britain's inflation rate – currently 4 per cent – would have to "come down further". The UK had to compete with countries with lower inflation.

Mr Lamont's evidence shed no new light on how the government would use the various monetary and financial indicators that it has chosen as guides to monetary policy when setting interest rates.

He did not say when sterling might return to the ERM, insisting only that it would be "quite impractical" to rejoin the mechanism before economic and monetary conditions in the UK and Germany are more compatible.

In what could be a move to give the government leeway before re-entering the ERM, he repeatedly said that the UK would be able to ratify the Maastricht Treaty on closer European union without first having sterling back in the mechanism.

The emphasis the chancellor placed on curbing inflation and the need to avoid a free fall in sterling persuaded some commentators that he would be in no rush to cut interest rates.

Opinion on the domestic money market has been moving in the direction of a cut in rates in recent days. Three months money, a key indicator of how the market thinks base rates are moving, closed at around 8 11/16 per cent yesterday and was therefore some way from discounting a half-point cut in bank base rates from their current 9 per cent.

By avoiding any serious mis-

Continued on Page 20
Background, Page 9
Editorial Comment, Page 18
Currencies, Page 42
London stockmarket, Page 35

Brussels sets out deal for division of power in EC

By David Gardner in Brussels

THE European Commission wants a settlement between Brussels and European Community member states to resolve the power struggle within the EC, clarify the principle of subsidiarity and end the crisis over the Maastricht treaty.

A confidential draft of its proposed deal obtained by the Financial Times shows that Brussels is aiming for a solution analogous to the division of powers detailed in the 10th amendment to the US constitution, which reserves for individual states power not vested in the federal government. The Commission was expected to approve this draft last night or today.

The draft proposes three main principles which will be put forward to the EC summit in Birmingham on Friday. They are meant to clarify the point that power in the EC rests with the member states unless otherwise specified.

Although the Commission is the first EC body to outline a formal settlement, the main political result of the document may therefore be to take the heat off Brussels.

This solution would not require tampering with the Maastricht treaty, since it would take the form of a separate "Interinstitutional Agreement on the Subsidiarity Principle" between the Commission, the European Parliament and the Council of Ministers of the 12 member states.

On Friday, EC heads of government will try to hammer out a deal on subsidiarity – the principle that the EC should act only when measures taken nationally or locally are ineffectual – and try to resolve the crisis over ratification of Maastricht.

The Commission is trying to seize the initiative and neutralise attempts by the bigger member states to emasculate its powers. It is also putting pressure on the Twelve to decide exactly what it is they want the EC to do in common.

Brussels also wants to:

- Move from intrusive and binding legislation towards framework laws which member states would agree but implement according to national circumstances.
- Devolve much responsibility for implementing EC law to member states.
- Decentralise management of "a number of the Commission's more burdensome activities" including agricultural markets and regional spending – which together amount to four-fifths of the EC budget.

The first principle, detailed in the draft agreement, states that: "The powers of the member states shall constitute the rule; the Community's powers, whether exclusive or shared with the member states, shall constitute the exception."

The second says the subsidiarity clause in Maastricht concerns purely "the exercise and not the conferment of powers, which is reserved for the authors of the treaty", namely the national governments.

The third pillar is that the EC should only act where there is demonstrable need, and that the measures it takes should be proportional to the result sought.

Talking tactics, Page 2

China told to be bold over reforms

By Simon Holberton in Beijing

CHINA should "dare to experiment" in changing from the old economic structure to the new, Jiang Zemin, general secretary of the Communist party, told delegates to its 14th congress yesterday.

Jiang, addressing the first congress since the fall of the Soviet Union, said practice had shown that, where "market forces have been given full play, the economy has been vigorous and developed in a sound way". China should be bold in exploring new ways.

He foreshadowed further price and state enterprise reforms and an overhaul of China's elephantine bureaucratic structure.

He revised China's target growth rate upwards, from 6 per cent to 8-9 per cent for each year to the end of the decade.

He warned, however, that simultaneous prosperity for everyone was not possible, saying that China must allow and encourage some areas and individuals to grow rich first.

Jiang held out little hope for any form of political reform, despite a pledge to improve the country's legal system. He said the goal of this reform was to build a "socialist democracy" and "absolutely not a western, multi-party, parliamentary system".

Diplomats said much of what Jiang said on politics was defensive and underlined that, while the party was prepared to adopt western economic methods, it had set its face against western ideas.

They doubted, however, whether China could absorb the west's economics and remain untouched by its political ideas.

The decision by the Congress not to reappoint the Central Advisory Commission, a body containing the party's elderly members, and Jiang's encouragement for younger officials were seen as positive developments.

He dismissed the 1989 Tiananmen demonstrations for democracy – which ended in bloodshed after the military was called in – as "a political disturbance" over which the party and government took a "clear-cut stance".

Much of what Jiang said concerning economic reform had been leaked before the Congress or had begun to be implemented over the past year. As such, it came as little surprise to diplomats and observers in Beijing, but the very fact of his saying it gave the measures the imprimatur of the party, they said.

"The people have now got a formal endorsement from the top to go out and make money," a western banker observed.

According to one western diplomat: "Anything is almost possible in China and this document will give companies the ideological underpinning to get out and do what they want."

The top priority for China's leadership is the reform of the state industrial sector. "We must change the way in which state-owned enterprises operate and push them into the market," Jiang said.

He foreshadowed the separation of ownership from management by making all large and medium-sized state enterprises legal entities which would be responsible for their own financial performance. Limited privatisation was also forecast with small state-owned companies to be leased or sold to collectives or individuals.

Jiang indicated that the cost of change might be unemployment.

He said the state should speed up the establishment of a social insurance system "covering unemployment, old age and health and the reform of housing in the cities and towns".

Reform of the price system was key to the success of economic reform, Jiang said. He added it was necessary to proceed more rapidly with price reform and establish a system where most prices are determined by market forces.

Chinese Communist party general secretary Jiang Zemin opens the 14th party congress in the Great Hall of the People in Beijing with a call for more adventurous economic reforms

German union leader offers five-year deal on pay rises

By David Goodhart in London and Quentin Peel in Bonn

THE LEADER of Germany's largest and most powerful trade union has offered the government five years of pay peace during which he would expect pay rises to do no more than preserve the purchasing power of his 3.5m members.

Mr Franz Steinkühler, who will today be re-elected as leader of the IG Metall engineering union, made the offer as the union's opening shot in the renewed debate about a "solidarity pact" to place the financing of German unification on a sounder footing.

The offer, made in an interview with the Financial Times, follows a suggestion from Mr Richard von Weizsäcker, the German president, that unions should not seek increases in real wages for several years.

"We would be happy to make a pact in which, over the next five years, real wages would be protected. That would be a good basis for a solidarity pact," said Mr Steinkühler in Hamburg, where the IG Metall Congress opened on Sunday.

The loss-making semiconductor business of Siemens, which has already shed almost 2,000 jobs this year, plans to cut its workforce by a further 2,300 to 11,000 by 1995. Page 2

The offer represents a small but significant concession by the union – which usually demands a cost of living increase plus a share in productivity improvements – and underlines that it is ready to contribute to a solidarity pact.

However, few of the union's other ideas for such a pact are likely to find favour with the government. IG Metall, like the opposition Social Democrats, favours another round of tax increases to help finance unification, but Mr Steinkühler insists that this time "they must be more fairly distributed and cover a more realistic time period".

IG Metall itself is under growing pressure to relax an agreement, signed with the engineering employers in 1991, for a convergence of east German hourly wage rates to the west German level by 1994. German employers say unit labour costs in most of east German manufacturing plants are almost double west German levels, deterring badly needed investment.

Mr Steinkühler says the convergence agreement is not negotiable. But some senior IG Metall officials also say, privately, that east German wages should be frozen at the 1994 level for several years after that date.

The debate over a possible renegotiation heated up yesterday, when Mr Jürgen Möllemann, the economics minister, said he would introduce a law to allow renegotiation, if the unions and employers failed to agree such a move themselves.

"The chancellor [Helmut Kohl] proposes a solidarity pact, and then Möllemann sabotages it," an angry Mr Steinkühler declared.

Union faces up to unification, Page 19

CONTENTS

 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: EUROPE

Siemens plans to shed 2,300 more jobs

By Christopher Parkes in Frankfurt

TWO of Germany's leading multinationals yesterday blamed falling demand and prices in markets for electronics for the planned loss of almost 3,000 jobs.

Siemens, the electrical and electronics engineering giant, said it had been forced to speed up rationalisation of its loss-making semiconductor business.

The division, which has already shed almost 2,000 jobs this year, plans to reduce its international workforce by a further 2,300 to 11,000 by the time restructuring is complete in 1995, Mr Jürgen Knorr, managing director, said yesterday.

Timing of the cuts would depend on market developments, he said, painting a gloomy picture of current prospects.

Meanwhile, BASF unveiled plans to close two audio and video cassette factories by the end of next year and reduce its payroll by 570.

The announcements add to a rapidly growing tally of job losses among leading German manufacturers, which are now feeling the full effects of international recession coupled with a rapid slowdown in the domestic economy.

Other recent cuts include the loss of 7,500 jobs at Deutsche Aerospace, the aircraft and space division of Daimler-Benz. Earlier this year the group said it was to reduce the payroll at its Mercedes-Benz vehicles subsidiary by 20,000.

Mr Knorr said prices for semiconductors had fallen 20 per cent and sales to important customers such as television, audio and engineering companies were down 25 per cent.

While the division had managed to maintain total turnover at around last year's DM2bn (£800m) by stepping up volume sales by 10 per cent, there had been no significant impact on losses. The Siemens semiconductor business lost DM500m last year.

However, Mr Knorr claimed, markets were expected to improve next year thanks to increased demand from mobile telephone manufacturers, the conventional telecommunications industry, and the motor industry.

BASF Magnetics, a subsidiary of the BASF chemicals group, which lost DM234m last year on sales of DM2bn, said its tape factory in Ettenheim, Germany, would close by the middle of next year and a works in Glen, France, would be shut by the end of 1993.

The company, which first announced plans to close the Ettenheim works last year, and then shelved them following protests from the workforce, does not expect to return to profit until 1994.

■ Olivetti, the Italian conglomerate, is to close its Triumph-Adler factory in Nuremberg at the cost of about 1,000 jobs.

Eastern Germany imported DM5.18bn from western Germany in July, up 25 per cent from a year ago, the Federal Statistics Office reported yesterday, AP-DJ reports from Wiesbaden.

Goods flowing to western Germany from eastern Germany in July amounted to DM736m, 12 per cent less than in July 1991, the agency added. In the first seven months of July, eastern Germany imported DM34.17bn from the 11 western states, 42 per cent more than the same period a year earlier. Exports to western Germany rose 10 per cent to DM5.79bn.

Bundestag plans tighter control of EC issues

By Quentin Peel in Bonn

GERMANY'S main political parties are expected to reach agreement this week on an important constitutional amendment, giving the German parliament far more power to influence legislation in the European Community.

The plan, drafted by constitutional experts from the Christian Democrats and Free Democrats, from the government side, and from the opposition Social Democrats, would set up a form of EC oversight committee, along the lines already operated in Britain and Denmark.

The new deal is likely to make Germany a less flexible negotiating partner, just as Denmark and Britain already are, because of their parliamentary control systems. The German plan would require the government to submit all proposed EC legislation to the committee, before it comes up for negotiation in the Council of Ministers, and then to take account of the parliamentary opinion in its subsequent negotiations.

It amounts to the first time that the German Bundestag – the directly elected lower house of parliament – has insisted on real powers to oversee and influence law-making in Brussels. Until now, the EC committee of the Bundestag has been little more than a rubber stamp for the negotiations of the German government.

Bonn has virtually agreed to similar powers for the 16 federal states in the Bundesrat, the upper house.

German parliamentarians defend the proposed enhancement of their powers as an essential element of greater democratic control over Brussels – a demand sparked off by the current debate over the Maastricht treaty on European union. The Bundestag is likely to make the constitutional amendment a precondition for ratification of the treaty.

They also say that its aim is to make the EC more democratic, and more integrated, rather than to resist the integration process. However, they admit that it will depend very much on how such a powerful committee operates.

The plan won the backing yesterday of the Christian Democratic Union and Christian Social Union Bundestag leadership, and is expected to be approved by the full constitutional committee on Thursday.

A simple constitutional amendment will be complemented by an accompanying law spelling out the details, requiring the German government to provide comprehensive information to the planned committee on every item of legislation, including an explanation of its purpose, of the government negotiating plans, and of the positions of other member states.

French Prime Minister Pierre Bérégovoy with Chancellor Helmut Kohl in Bonn

Bonn and Paris talk tactics

CHANCELLOR Helmut Kohl of Germany and Mr Pierre Bérégovoy, the French prime minister, met in Bonn yesterday to prepare their positions for Friday's EC summit in Birmingham – and firmly rejected any suggestion of a "two-speed" European Community, writes Quentin Peel in Bonn.

As officials in Bonn denied any part in preparation of plans for an inner-core fast track Community, the two heads of government insisted that they were still determined to gain ratification of the Maastricht treaty on European Union by all 12 member states – including Denmark and Britain.

Mr Kohl is involved in a hectic round of preparatory talks for the summit, along with Mr Klaus Kinkel, who flew last night to Paris for a dinner with Mr Roland Dumas, his French counterpart, and Mr Javier Solana, the Spanish foreign minister.

Today Mr Kinkel will fly to Brussels for a working dinner with Mr Jacques Delors, the president of the European Commission.

German officials are at pains to stress that all the official activity does not amount to a specific German "initiative", but is rather part of a concerted effort by all member states to find common ground on a political declaration from the Birmingham summit, designed to reassure all their electorates about the Maastricht process.

One element in that process is the German plan for increased enforcement of "subsidiarity" in EC decision-making, as well as ideas for greater transparency in the whole EC process.

Portugal's currency and the great escape

Peter Bruce and **Patrick Blum** report on the escudo

IF OLD prejudice ruled the currency markets, the Portuguese escudo should be having a terrible time, along with its southern neighbours in the exchange rate mechanism, the lira and the peseta. The Portuguese are, after all, much poorer than Spaniards or Italians.

But no. While the lira has been catapulted from the system and the peseta has devalued 11 per cent since July, the tiny escudo has ridden out the European Monetary System's currency storm well within its 6 per cent ERM fluctuation band after hardening just one minor capital control.

The Bank of Portugal now holds bigger foreign currency reserves than France. Speakers at a banking conference in Oporto yesterday estimated current holdings at at least $25bn (£14bn), the equivalent of about one year's imports.

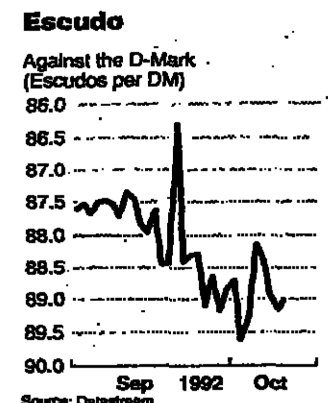
Happy government officials in Lisbon, from Prime MinAnibal Cavaco Silva down, insist this is simply market recognition of the sound state of Portugal's "fundamentals" – almost full employment, falling inflation (9 per cent from 11.4 per cent in 1991), declining interest rates and public debt, and a current account surplus.

Sceptics suggest that the escudo – which only joined the ERM in April – has escaped because speculators have not realised it is there to play with yet. They say the peseta's slide against the escudo makes a devaluation, soon, inevitable. Portugal does more than 20 per cent of its trade with Spain.

In Lisbon, though, the government is brimming with purpose and policies. With the socialist opposition at war with itself, Mr Cavaco Silva's Social Democrats are slimming down the civil service and facing down opposition over introduction of university fees, military cuts and a new strike law.

Underpinning this is the prime minister's consistent use of exchange rates to fight inflation. Appointed finance minister in 1979, after a string of devaluations, he quickly revalued the escudo by 6 per cent and has systematically boosted the currency since becoming prime minister in 1985.

"This is the first time since 1974," says Mr Cavaco Silva, "that a foreign economic crisis has not been magnified in Portugal. We have done tough things and every meeting of the Cabinet now is eliminating (public) services that we don't want. For its part, industry is now well aware that it cannot depend on the depreciation of the escudo to gain competitiveness."



The government is about to tighten the screws with a rigorous 1993 budget, which, the prime minister says, will be a "negative increase" in monetary terms. The budget aims to cut the public sector deficit from above 5 per cent to less than 4 per cent of GDP, taking the country to within a whisker of one of the main targets of EC economic and monetary union (Emu).

Spain's big and recent deficit problems have been a stark reminder to Lisbon of how quickly things can go bad. Spain has a more virtuous economic past than the Portuguese – opening its economy in the 60s, democratising smoothly in the 70s and savagely attacking industrial fat in the early 80s. Portugal, meanwhile, fought wars in Africa and overthrew its dictatorship in a left-wing revolution, which much of the 80s was spent reversing.

Thus, Portugal is now steadying itself to deal with large-scale industrial restructuring and an inevitable rise in unemployment. Even the prime minister says jobs will go, and, in fact, that they probably should, if the country is to become competitive. "Our rate of unemployment (below 4 per cent) is too low," he says. "We are prepared for higher unemployment if necessary."

That resolve is key to talks that begin soon between the government, unions and employers on 1993 wage increases. These talks can fix public service pay but set guidelines for the private sector. Lisbon will seek agreement around 6 per cent, with inflation targeted at between 5 per cent and 7 per cent.

Mr Miguel Namorado Rosa, chief economist at Banco Comercial Portugues, thinks this is optimistic. "The country is going through a very pronounced slowdown," he says. The government has cut growth estimates for this year from 3.5 per cent to 2.5 per cent and investment is falling sharply.

"I think that when the currency markets stabilise we are going to see a dramatic devaluation," says Mr Namorado Rosa. Mr Jose Alberto Tavares Moreira, until recently governor of the central bank, agrees. "The escudo is perhaps too strong at the moment," he says. "It is not sustainable and will inevitably be reflected in a deterioration of the external accounts." But as a 5 per cent devaluation would take the heat off labour intensive exporting industry and could lift inflation to 10 per cent next year, Lisbon is not keen to move before setting the private sector a tough wages target. Time, though, is very tight, if agreement is to be reached before Portugal becomes swept up in broad ERM realignment.

For the moment there may be safety in obscurity. "The escudo's life in the ERM has been so short that most market operators may not know it is there," says Mr Namorado Rosa. Even if they do, Portugal's $25bn currency reserves may be worth more than all the tradeable escudos on the market even though central bank intervention has drawn down non-gold reserves because of recent turmoil in the foreign exchange markets.

And while the government's decision to halve the overdrafts that foreign branches of Portuguese banks can hold with their parents damages the spirit of Lisbon's decision in the summer to lift all capital controls next year, it was a relatively serene decision. "Portugal is run by economists," notes Mr Joao Oliveira Rendeiro, who runs Gestifundo, a Lisbon fund manager, referring to the prime minister and his finance minister. Perhaps that makes a difference.

France to help small businesses with loans

By David Buchan in Paris

THE French government yesterday announced plans to help the country's hard-pressed small businesses with what amounts to an increase of FFr11bn ($2.3bn) in soft loans.

The government plan represents an effort to stop the wave of small company bankruptcies under the impact of high interest rates, without significantly adding to the budget deficit.

The two-part plan consists of the following:

■ Increasing by FFr1bn to FFr26bn the annual threshold for soft loans raised from low-interest deposits with the state savings banks and channelled to the country's industrial development.

Such money can currently be borrowed by companies (with less than FFr500m turnover) at 8.75 per cent, when base rates are at 9.85 per cent.

■ Creating a loan guarantee fund to be operated by the state-controlled organisation Sofaris, which up to now has only helped underwrite risk capital invested in small businesses. With backing of FFr300m, Sofaris will now be able to cover up to 50 per cent of FFr10bn in new investment loans. It was unclear yesterday whether the FFr300m would come from the national budget, whose planned 1993 deficit of FFr165bn has been sharply criticised by the opposition, or from Sofaris' funds.

Last ditch effort on pregnancy directive

By David Goodhart, Labour Editor

A LAST-DITCH attempt to save the European Community directive protecting the jobs and incomes of pregnant working women will be made today at the informal EC social affairs council in Chepstow, Wales.

The directive would be the first in the social field to lapse since 1985 if agreement is not reached before October 19. Although some countries with good provision for pregnant workers are not concerned about a lapse, the UK, currently President of the EC, is keen to push through a deal.

A possible compromise is likely to centre on an addendum to the directive which would make some commitment to improving the benefits for pregnant workers within a specified period. That might persuade Italy, the dissident country, to fall back into line.

The original proposal was to ensure women the right to return to work and give them 14 weeks on full pay. UK pressure saw the proposal scaled down to 14 weeks on the equivalent of statutory sick pay.

The terms were then improved to 16 weeks on 80 per cent of salary. Member states except Italy wanted to stick to the original sick pay proposal, but to do this they had to reject unanimously the improved package. Italy then broke ranks, arguing it was not worth having.

UK discounts fresh treaty

By Robert Mauthner, Diplomatic Editor, and Alison Smith

MR DOUGLAS HURD, the British Foreign Secretary, yesterday discounted reports that France and Germany supported the drafting of an alternative treaty for European union in case Denmark and Britain did not ratify the Maastricht treaty.

He was referring to reports that the European Commission had begun work on the draft, following a secret agreement between Chancellor Helmut Kohl of Germany and President François Mitterrand of France to pursue European integration with the Benelux countries if the Maastricht treaty proved to be a dead letter.

Mr Hurd told members of the House of Commons Foreign Affairs Committee that, if the treaty was not ratified, there was clearly a danger that some EC states would decide, "after a time", that the benefits of working together were such that there should be a new framework.

"However, it is clear to me that the federal chancellor [Mr Kohl] and the French president [Mr Mitterrand] are not interested in that approach. But whether there are people chattering on these lines in the background, I cannot possibly say," he said.

After the recent Anglo-German dispute over Britain's withdrawal from the European exchange rate mechanism (ERM), Mr John Major, the British Prime Minister, and Chancellor Kohl will attempt to mend their fences at a working dinner in Birmingham on Thursday, on the eve of the Community's one-day emergency summit.

How to put flesh and bones on the principle of subsidiarity enshrined in the Maastricht treaty – that the centralised EC institutions should only deal with matters which cannot be decided more effectively at national level – will also be high on the agenda.

Both Downing Street and Mr Hurd poured cold water on any expectations the summit would produce substantial results. It was the hope of the British EC presidency that the meeting would decide on clear instructions to the Community's council of ministers on how to define subsidiarity. The council would present its definitive conclusions to the full EC summit in Edinburgh in December.

Brussels warned on mergers

By Andrew Hill in Brussels

THE European Commission ought to be more flexible in deciding whether merger inquiries are handled in Brussels or by national anti-trust authorities, according to Sir Sydney Lipworth, chairman of the British Monopolies and Mergers Commission.

Speaking to lawyers at a symposium on EC merger control, Sir Sydney suggested the clause in the EC merger rules which allows member states to ask for jurisdiction over certain cases had led to some anomalies and might have to be rewritten. Sir Leon Brittan, the EC competition commissioner, has repeatedly stressed that the two-year-old merger regulation is intended to provide a "one-stop shop" for cross-border merger inquiries, sparing companies the need to go to two or three national authorities for approval.

But Sir Sydney said yesterday: "One should not be totally mesmerised by the one-stop shop. I think it's very useful, but what is more important is to get the right result for European and domestic competition." Only one deal – involving Tarmac and Steetley, the British building products groups – has been referred back to a national authority under the clause, which was included in the rules at Germany's request.

The German authorities have twice asked to examine mergers, on the grounds that they affected competition on a "distinct [national] market", but been refused. Dr Kurt Stockmann of the German Cartel Office said yesterday that the German authorities were "not entirely satisfied".

Italian party picks new hero to clean its stables

Mino Martinazzoli, new Christian Democrat leader

By Robert Graham in Rome

ITALY'S Christian Democrat (DC) leadership yesterday elected Mr Mino Martinazzoli, a former defence minister, as secretary-general, entrusting him with the task of revitalising a discredited and divided party .

Mr Martinazzoli, 61, is on the so-called left of the party and is one of the few senior figures untainted by the series of corruption scandals and allegations of misuse of power.

He comes from Brescia in the north, where the party has suffered at the hands of the populist Lombard League. Recent local elections in Mantua showed DC support had been almost halved within a year, accelerating the tendency for the party's strength to be reduced to Rome and further south, where traditional patronage politics still hold sway.

He takes over from Mr Arnaldo Forlani, who was widely blamed for a badly misjudged campaign in the April general elections when the DC vote fell to 29 per cent – below 30 per cent for the first time. Mr Forlani offered to step down in the immediate aftermath of the elections, and resigned formally two months later. But he was persuaded to stay on while the party attempted to find a successor.

Mr Martinazzoli's main problem is retaining the loyalty of Mr Mario Segni, the reformist politician who has gathered considerable support inside and outside the party in a movement to reform Italy's institutions via referendums.

On Saturday at a rally in Rome, Mr Segni made clear that his ideas about changing the system squared little with those of the mainstream Christian Democrats.

Mr Martinazzoli is believed to have offered Mr Segni the number two job in the party and appears anxious not to lose him since he is the DC's most attractive electoral card. He is also expected to use the existence of Mr Segni's reformist movement to get rid of the party's old guard.

The latter, exemplified by men like Mr Forlani and Mr Giulio Andreotti, the former prime minister, have been keeping a low profile. But it is far from clear whether they realise the extent to which the rules of the political game have changed.

● Italy faces a four-hour general strike today in protest against proposed welfare cuts in the 1993 budget. The strike is expected to cause substantial transport disruption but essential services for health and the public utilities will be working.

ITALY'S industry minister yesterday promised to be as open as possible with the European Commission about plans for a far-reaching privatisation of the country's public holding companies, writes Andrew Hill in Brussels.

Prof Giuseppe Guarino told Sir Leon Brittan, EC competition commissioner, that Rome wanted to co-operate during the three- or four-year process which will end with the sale of shares in the public-sector groups. The detailed privatisation programme will be published early next month.

EC competition authorities will be on the look-out for disguised state aid – in the form of debt write-offs, for example – during the penultimate phase of the project, when the government is preparing the companies for sale. Brussels will also look askance at any attempt to impose discriminatory terms on the flotation.

Italian diplomats said yesterday that Sir Leon ought to welcome the increased openness and competition which privatisation would bring to the Italian state sector. Sir Leon is already looking at some sensitive state aid cases involving large Italian companies such as Ilva, the state-owned steel-maker, and car-maker Fiat.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue du Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS IN BRIEF

Creditors at odds on Soviet debt deal

WESTERN creditor governments are scheduled to meet in Paris in the middle of next week to discuss a possible rescheduling of the former Soviet Union's $70bn foreign debt, *writes Leyla Boulton in Moscow.*

A deferral of principal payments on medium-term debts has been extended until the end of this month in anticipation of a full rescheduling. But Paris Club creditors are at loggerheads with each other and their commercial banks over how generous it should be.

Another problem is that Russia – which is the only republic to be making any debt repayments and wants formal responsibility for the entire debt if other republics give up claims on former Soviet assets – has so far failed to reach agreement with Ukraine on a special arrangement for sharing repayments with it.

Diplomats said this was less serious a problem, however, than disagreements between countries such as the US, which has relatively little exposure, and Germany, which is owed the lion's share.

Mr Peter Aven, Russian foreign economic relations minister, says Russia can pay only $2.5bn-$3bn next year instead of the $20bn falling due.

Russians board Greenpeace ship

Russian coastguards yesterday fired three shots across the bow of a Greenpeace ship investigating nuclear contamination and boarded the vessel, Reuter reports from Moscow.

The Solo, with an international crew of 34, was boarded off the northern islands of Novaya Zemlya. It is on a mission to monitor radiation at a place where Soviet authorities dumped 15 nuclear reactors and 17,000 containers of nuclear waste.

Kyrgyzstan to quit rouble zone

Kyrgyzstan, hard hit by Russia's price liberalisation last January, will leave the rouble zone and introduce its own currency by 1995, President Askar Akayev told Reuter in Bishkek, the capital. "We adopted a restructuring programme with the International Monetary Fund," he said. The IMF would lend the Central Asian republic $300m next year. Kyrgyzstan joined the IMF in September.

The president has already pushed through legislation on foreign investment and made a modest start in privatising land.

Kyrgyzstan's largely rural economy, dependent on its neighbours' basic inputs of fuel, foodstuffs and raw materials, is facing collapse in a fragile commonwealth where co-ordination between member states is shrinking or entirely disappearing.

More deaths in Kurd violence

Twenty-seven people have been killed in recent violence involving rebel Kurds in south-east Turkey, security officials said yesterday, Reuter reports from Diyarbakir.

They said 11 civilians, including six children and two women, had been killed on Sunday when rockets fired by Kurdistan Workers Party (PKK) guerrillas hit their homes in the town of Uludere. Nine rebels had been killed later in a clash with troops who launched a search operation in the area.

Third night of clashes in Lyons

Six people were arrested and a dozen cars burned when mostly-Arab youths clashed with riot police for the third night running in Vaulx-en-Velin, the troubled immigrant suburb of Lyons, Reuter reports.

Youths threw stones at police firing tear gas grenades after a local resident shot dead a Moroccan-born 18-year-old.

Caucasus crisis lures Russia into old imperial role

If they are involved in Abkhazia, they are giving clear signals they wish to control at least part of the region beyond their border, writes **John Lloyd**

THE AIRPORT at Georgia's capital, Tbilisi, is thronged with soldiers wearing the uniforms of at least four different bands – or no uniform in particular. Further north, in Sukhumi, the capital of the war-torn autonomous region of Abkhazia, soldiers supervising the loading of refugees into aircraft are as hysterical as the fleeing women – fighting among themselves, screaming and pushing at their charges and delaying the whole process with their inefficiency.

In this former Soviet republic now descending into impoverished disorder, being the only candidate helped Mr Eduard Shevardnadze achieve a sweeping election victory at the weekend: indeed, no-one stood against him because no-one thought they could – or wanted to – beat him.

The former Soviet foreign minister won three times more votes than needed to become the leader of the Transcaucasian state. In an estimated 80 per cent turnout, voters defied appeals for a boycott by supporters of the ousted president Mr Zviad Gamsakhurdia and gave Mr Shevardnadze more than 90 per cent of the vote.

Mr Shevardnadze says his mandate now is to bring peace, prosperity and democracy to his 5m-strong country.

His first task, however, is to wage more active war on the forces of the Abkhazians and their allies, which have succeeded over the past three weeks in pushing Georgian troops out of much of Abkhazia, save for the encircled units in Sukhumi. The Abkhazian separatists, lead by Mr Vladislav Ardzinba, wants to attach Abkhazia to Russia – citing a fear of Georgian oppression.

In 1989, it was demonstrations for Abkhazian independence from Georgia and for attachment to Russia (though Abkhazians make up less than 20 per cent of the population of Abkhazia, the Georgians more than 40 per cent) which sparked off demonstrations in Tbilisi for Georgian independence from Russia.

Now, the Abkhazians are supported by the Confederation of Caucasian Mountain People – a mainly Moslem, pan-Caucasian organisation which is violently against the Shevardnadze regime and yearns for a Caucasian state.

In Sukhumi, among the few Abkhazians left is a former minister of the republic's government who has seen his fellow Abkhazians driven out of the city after Georgian troops entered it at the beginning of last month and who recounts tales of theft and beatings.

Indeed, during an interview in his flat, three Georgian soldiers burst in, guns at the ready, having been alerted by neighbours of the presence of the foreign press in the "Abkhazians' house". After an uncomfortable few minutes an officer arrived and took the men away.

Mr Georgi Khaindrava, the Georgian minister responsible for Abkhazia, said later that any impropriety on the part of his troops would be punished, if necessary with summary execution: he also admits there have been many excesses.

Out on the "frontline" along the river Gumista a few miles from Sukhumi, the two sides, only 200 yards apart, trade light arms fire from behind walls and dugouts. Mr Khaindrava said at the weekend: "We expect an attack at any time, but we are ready."

The most serious charge is the involvement of Russian soldiers. The allegation is that Russian units, with civilian volunteers from the Russian north Caucasian republics just over the Georgian/Russian border, form the backbone of the Abkhazian forces – especially when they took the town of Gagra earlier this month. The Russian units are alleged to be controlled by General Georgi Kondratyev, the Russian deputy defence minister, and General Pavel Sigutkin, commander of the big Russian air base at Gudauta, in Abkhazia – where war material is unloaded and used on the Abkhazian side.

In the sophisticated version of this charge – used by Mr Shevardnadze and Mr Khaindrava – Mr Boris Yeltsin, the Russian president, is being led by the nose by "reactionary circles" in Russia. There is no proof of the involvement, and it is denied by the Russian defence ministry: however, the volunteers from the Caucasian states enter Abkhazia freely, and the Abkhazians are well armed.

A Georgian national guardsman rests on his automatic rifle in a lull between the fighting

If the conflict is not stopped, it will consume this small country – inevitably reviving the conflict in the South Ossetian region to the north, where peace between the Georgians and Ossetians is kept by Russian soldiers. If the Russians really are intervening – albeit without direct authority from the president – they are giving clear signals that they wish to control at least part of the Caucasus outside Russia.

Meanwhile, the war between Armenia and Azerbaijan over the Armenian enclave of Nagorno-Karabakh has recently escalated as more powerful Azerbaijan seeks to reverse Armenian gains made in the spring.

Russia, though urged by Armenia (a member of the Commonwealth of Independent States) to assist it, has sought to keep a balance: Mr Yeltsin yesterday signed a treaty of co-operation and security with Mr Abulfaz Elchibey, the Azeri president.

Mr Shevardnadze said yesterday he was ready to meet Mr Yeltsin in or near Sukhumi today. However, a spokesman for Mr Yeltsin in Moscow said a delay in the planned talks was necessary to work out "new elements" in the process.

The three Caucasian states are not the only legacies of the Soviet imperium, but they are the most complex and violent. As the Commonwealth of Independent States further weakens, and as Russia defines its national interest more in classic terms of regional power bargaining and pressure than in efforts to create a co-operative commonwealth, so its meddling in these historically swirling waters must increase once more.

Serbs pull out of talks with Croatia

By Laura Silber in Belgrade

SERBIA, under President Slobodan Milosevic, yesterday intensified its confrontation with the Yugoslav federal government by trying to scupper peace talks between the Yugoslav authorities and Croatia.

Serbia withdrew from talks in Zagreb, the Croatian capital, on the re-establishment of economic relations and transport, and the return of Croatian refugees to United Nations protected zones in Serb-held areas of Croatia.

A Serbian government statement accused the Yugoslav government, under Prime Minister Milan Panic, of betraying Croatia's Serb minority by negotiating with Croatia.

The conflict between Mr Milosevic, on one side, and Mr Panic and Mr Dobrica Cosic, the Yugoslav president, is likely to sharpen further if last Sunday's referendum fails to win a vote in favour of early elections.

Unofficial results yesterday showed the vote to be less than the required 50 per cent majority.

Hopes for the demilitarisation of Sarajevo also foundered yesterday when Bosnian leaders pulled out of UN-sponsored talks.

They accused Bosnian Serbs of stopping the repair of water and power in the Bosnian capital, which has been besieged for six months by Serb fighters.

In northern Bosnia, Serb commanders said they had reopened the land corridor for traffic between Serbia and Bosnia's Serb-held territories amid heavy fighting.

However, in a conflicting report, Croatian radio claimed Croat forces had blocked the corridor west of Brcko, in north-eastern Bosnia. It reported artillery and infantry clashes between Serb and Bosnian fighters near Maglaj and Doboj south-west of Brcko.

Serb forces currently control some 70 per cent of Bosnia. They have driven hundreds of thousands of Moslems and Croats from their homes in an effort to create ethnically pure regions.

Three western reporters yesterday visited villages around Kotor Varos, 20 miles from Banja Luka, the Bosnian Serb military headquarters in the north-west, where hundreds of homes had been razed.

Serb authorities deny they are carring out "ethnic cleansing" but the reporters saw evidence supporting United Nations claims that some 200,000 Moslems and Croats in northern Bosnia are at immediate risk of being driven from their homes.

Korea's perennial opposition leader boosted by DLP split

Kim Dae-jung looks set to gain as leading figures quit a ruling party always dogged by division, writes John Burton

THE presidential hopes of Mr Kim Dae-jung, South Korea's perennial opposition leader, have suddenly improved as the ruling Democratic Liberal Party (DLP) appears to be splitting apart.

The crisis in the DLP reached a critical point over the weekend with the resignation of Mr Park Tae-joon, head of the party's majority faction.

The departure of Mr Park, who also resigned last week as chairman of the state-affiliated Posco steel company, is likely to trigger the exodus of other important DLP figures who could establish a new conservative political party.

That would damage the chances of Mr Kim Young-sam, the DLP nominee and current leader in the presidential election, expected in mid-December. State television said yesterday that Mr Kim would announce that he was resigning as a member of parliament today to devote himself to the presidential campaign.

Analysts said that by quitting parliament he was hoping to heal the rifts in his party.

Kim Young-sam: to quit as MP

Conservative support for Mr Kim has already been eroded by the candidacy of Mr Chung Ju-yung, the founder of the South Korean conglomerate Hyundai who formed the United People's Party (UPP) earlier this year.

By contrast, Mr Kim Dae-jung's support, which mainly consists of working- and middle-class voters in Seoul and his home base in the rural south-western Cholla region, remains firm. He is now running a close second behind Mr Kim Young-sam.

The DLP has been an uneasy political alliance since its creation in 1990 as a result of a merger of President Roh Tae-woo's Democratic Justice Party with two opposition parties, including Mr Kim Young-sam's Reunification Democratic Party.

Mr Kim agreed to join the government and give it a majority of parliamentary seats in return for a promise that he would receive the DLP presidential nomination this year. *The constitution bans Mr Roh from standing for president again.*

Mr Kim, who stood as an opposition presidential candidate in the last election in 1987, duly received the DLP nomination in May.

But his recent actions have alienated Mr Roh and his supporters, including Mr Park, who constitute the majority faction in the DLP.

Critics have accused Mr Kim of becoming arrogant and pushy, placing his supporters in the top DLP positions in spite of his minority status within the party.

Mr Kim also angered Mr Roh last month by pressing him to appoint a new cabinet as part of an effort to improve his chances before the election.

Mr Kim was concerned that allegations of government vote-rigging in the parliamentary election last March might tarnish his image and he wanted a neutral caretaker cabinet to supervise the forthcoming poll.

But Mr Kim's demand backfired. While agreeing to a cabinet reshuffle, Mr Roh also resigned from the DLP in the name of electoral "fairness". Mr Roh's move was interpreted as a withdrawal of his support for Mr Kim.

This intensified factional squabbling *within the DLP, culminating in* Mr Park's departure over the weekend.

Mr Park may join a nascent political party being formed by Mr Lee Jong-chan, a popular Seoul MP who unsuccessfully stood against Mr Kim in the DLP presidential convention in May.

Mr Park has discouraged speculation that he would be the presidential candidate for the new political group. Instead, the nomination may be offered to Mr Kang Young-hoon, prime minister between 1988 and 1990 and now head of the South Korean Red Cross.

Kim Dae-Jung: support firm

But there are doubts whether the new party can be organised in time for the election. This has prompted proposals that Mr Park and the other dissatisfied DLP members might merge their forces with Mr Chung and the UPP, which is a well-financed and established organisation with 31 seats in the 299-member National Assembly.

Co-operation between Mr Chung and Mr Park would bring together two of South Korea's most prominent industrialists and establish a precedent for business playing an independent role in Korean politics.

Korean companies have traditionally accepted a subservient position to the government, financially supporting the ruling party in return for political favours.

Mr Chung broke that tradition by challenging the government with the formation of the UPP. The political revolt staged by Mr Park confirms that the nation's businessmen are aggressively seeking a more equal partnership with government.

Mr Park has reportedly met with Mr Chung at least three times recently to discuss a political alliance. But the former Posco chairman wants Mr Chung, who is now a distant third in the opinion polls, to step down in favour of another candidate. Mr Chung so far appears determined to remain the UPP candidate.

Pik Botha tries to calm Savimbi

By Julian Ozanne in Luanda

MR PIK BOTHA, South Africa's foreign minister, arrived in Angola yesterday to join efforts to try to save the war-shattered country's fragile peace process.

Mr Botha's arrival came amid signs that the international community, led by the United Nations, is increasingly unable to keep a lid on tension between the government and Unita, the former South African and US-backed rebel movement.

Western observers hope that Pretoria, which backed Unita's *guerrilla war with South African* troops and weapons between 1975 and 1990, may be able to exert some influence on Mr Jonas Savimbi, the hardline, egotistical rebel chief. They say that the key to Angola's future depends on what Mr Savimbi really wants – a question no-one seems able to answer.

Unita has alleged fraud in the country's first democratic elections last month and has made veiled threats to return the country to civil war. The elections were won by the *MPLA government and President* José Eduardo dos Santos.

Yesterday Mr Elias Salupeto Pena, one of the most senior Unita officials, warned that if the government published official election results, expected today, it would amount to a declaration of war. He demanded that the elections be annulled.

An investigation of Unita's allegations of fraud is nearing completion but *officials say they have found evidence only* of incompetence. Many observers believe Mr Savimbi is using *the fraud allegations either as* a bargaining position to get a transitional government of national unity in his favour or as a pretext to buy time and prepare a military strategy which would almost certainly split the huge country.

Mr Botha said yesterday that no-one could create miracles but he had come to listen to both sides to try and find common ground between in the *interests of peace and economic* co-operation in the southern African region.

Mr Botha, who will meet *both President dos Santos and* Mr Savimbi today, arrived 24 hours after shooting in Luanda left at least four people dead. Unita soldiers pounded an area of downtown Luanda with machine-gun fire, mortar shells and grenades in a half-hour barrage.

The rebel group opened fire after a bomb exploded near a hotel they used as a base and two men in an unmarked car *shot and wounded two Unita* guards.

UN forms action plan for Somalia

By Frances Williams in Geneva

THE United Nations yesterday presented to donor nations a 100-day action plan for Somalia intended to strengthen UN relief operations in the war and *famine-ravaged country*.

This follows strong criticism that the UN aid effort has been feeble and badly co-ordinated.

Mr Mohamed Sahnoun, UN special representative for Somalia, said at least 300,000 Somalis, mostly children, might have died over the past 18 months "whilst the UN and (most of) the international community ... watched Somalia descend into this hell".

The UN said almost 1m Somalis were on the brink of death from starvation and disease, and millions more might die if urgent assistance was not forthcoming.

It is appealing for \$82.7m to implement its plan for a massive infusion of food aid, alongside provision of shelter materials and medical supplies, a mass measles immunisation campaign and the start of a longer-term programme of recovery and rehabilitation, including delivery of seeds and tools.

Baroness Chalker, Britain's overseas aid minister, yesterday urged Mr Sahnoun to make security his top priority.

"We have a duty to the starving to make clear to those who are using violence to frustrate the relief effort that the international community will no longer stand by and see the poor and sick held to ransom," she said.

The precarious security in Somalia, which has led to widespread looting of food supplies, preoccupied delegates on the first day of the two-day donors' meeting.

Britain gets tough over Iraqi jailings

By Robert Mauthner, Diplomatic Editor

BRITAIN yesterday summoned Iraq's senior diplomat in London to demand the release of two Britons detained in Baghdad, following charges that the US administration had acted much more robustly to free an American citizen held by Iraq.

The two Britons, Mr Paul Ride and Mr Michael Wainwright, are serving long jail sentences after being convicted of entering the country illegally. Mr Chad Hall, the American citizen freed by the Iraqi authorities at the weekend after being held for only two days, was detained on a similar charge of illegal entry.

Mr David Gore-Booth, deputy under-secretary at the Foreign Office, was "extremely tough" in demanding a response from the Iraqis to "repeated requests" to release the two Britons. His meeting with Mr Zuhair Ibrahim lasted a bare five minutes.

The Foreign Office has clearly been stung into action by complaints of the families of the two imprisoned men and opposition politicians that Britain has been doing too little to secure their release.

Although British-Iraqi diplomatic relations were broken off at the beginning of the Gulf war last year, an Iraqi interest section in the Jordanian embassy in London is looking after Baghdad's affairs.

Talks with Inkatha soon, says de Klerk

By Patti Waldmeir in Cape Town

SOUTH AFRICAN government officials will meet the mainly Zulu Inkatha Freedom party within a fortnight, President F.W. de Klerk, said yesterday. This removes one of the most serious obstacles to resuming multiparty talks on a new constitution.

Delivering a "state of the nation" address to a special session of parliament, he stressed his determination to proceed with constitutional negotiations with the African National Congress and other parties, including Inkatha which suspended talks with the government two weeks ago.

He lashed out, however, at the ANC shortly after thousands of its protesters surrounded the parliament building. He demanded that the organisation scale down its campaign of mass action which he blames for exacerbating political violence in the country.

The ANC demonstration, called to protest at the continued exclusion of blacks from parliament and at government plans to amnesty police and army officers, was much smaller than expected. Only about 5,000 took part; organisers had expected 25,000.

The crowd, which formed a human chain around the parliament building, were addressed by ANC leaders who condemned government plans to introduce legislation in parliament within the next 10 days to amnesty security force officers who committed crimes under apartheid.

Mr de Klerk outlined principles on which he demanded agreement before an interim constitution could be agreed, including devolution of power to regional and local governments, multi-party power sharing at the executive level of government, and a bicameral legislature to protect special interests. The ANC and government positions on all of these issues remain sharply at odds.

OVER 241 DIE AS EARTHQUAKE ROCKS EGYPTIAN CAPITAL

Men sift through the debris of their Cairo shop yesterday as a strong earthquake rocked the Egyptian capital. Cairo television broadcast an urgent appeal for doctors after collapsing buildings left at least 241 people dead and 2,000 injured, Tony Walker reports from Cairo.

The earthquake, which struck soon after 4pm local time, was Cairo's most severe earth tremor for more than 30 years.

Experts at the US Geological Survey reported the tremor at around 5.9 on the Richter scale - strong enough to damage a city extensively.

Reuters news agency quoted a fire brigade chief as saying that many decaying buildings in Cairo's densely populated poorer areas had collapsed.

Israel starts review of prison conditions

By Hugh Carnegy in Jerusalem

THE Israeli authorities will today launch a review of conditions in jails holding Palestinian prisoners in an attempt to defuse violent protests in the occupied West Bank and Gaza Strip which officials fear could disrupt Middle East peace talks.

Palestinian representatives said yesterday most prisoners had suspended the two-week-old hunger strike which prompted the unrest pending the outcome of the prison review. However, some of the 12,000 prisoners were continuing to refuse food and others would resume the fast if the review did not produce an improvement in conditions.

The Israeli government was alarmed by the way the hunger strike provoked a surge of violent demonstrations not seen since the first years of the intifada, or Palestinian uprising against Israeli rule.

Members of the hardline opposition Likud party strongly criticised the prison review as capitulation to violence.

But Mr Yitzhak Rabin, the prime minister, is anxious to resolve the issue before negotiations resume in Washington next week. *Palestinian negotiators* would find it almost impossible to continue the talks in the midst of serious unrest at home.

Yesterday more than 30 people were injured, in clashes with security forces in the Gaza refugee camp of Khan Younis, and elsewhere.

● Israeli troops shot dead two young men who crossed the heavily patrolled border from Jordan early yesterday. They were found with "knives and clubs", officials said.

Spotlight on Johannesburg illegal share dealings

Ex-securities firm chief faces R10m fraud charges

By Philip Gawith in Johannesburg

THE extent of illegal share dealings on the Johannesburg Stock Exchange (JSE) comes under the spotlight today in the Rand Supreme Court with the start of one of the most widely publicised securities *cases in years*.

Mr Greg Blank, then a director of one of the largest firms on the JSE, Frankel Max Pollak Vinderine (Frankels), is being charged with 49 counts of fraud, allegedly involving an illegal gain of about R10m (\$3.6m). There is no precedent in South Africa for a JSE member being charged for irregular dealings on such a large scale.

Lack of convictions for securities offences in the past has led to speculation, fiercely denied by the JSE authorities, that illegal trading is widespread.

They will be hoping that, should Mr Blank be found guilty, a stiff sentence will be handed down which will help *dispel suspicions about* the JSE, justified or not.

Mr Blank's conspicuously wealthy lifestyle has also focused attention on the case, as has the fact that his alleged accomplices occupied senior positions at the Old Mutual, South Africa's largest insurance company. Mr Blank was the person responsible for Old Mutual's dealings with Frankels.

The bulk of the charges relate to the practice known as "front-running". It is alleged that, between 1989 and 1991, Mr Blank, in collaboration with his three accomplices at the Old Mutual – two portfolio managers and the chief trader – bought numerous lines of *stock for the account of a company* in which they were joint beneficiaries.

Once a sufficient quantity of the particular share had been accumulated, and the share had reached a particular price, it would be sold to the Old Mutual, normally within two to four weeks. The profit from these sales, allegedly, accrued to the syndicate.

Sabah tries to flex its muscles

Kieran Cooke looks at the worsening stand-off with Kuala Lumpur

IT takes two-and-a-half hours to fly from mainland Malaysia to Sabah in the far north of the island of Borneo, almost as long as the flight from Kuala Lumpur to Hong Kong.

Sabah is the most far-flung state in the Malaysian Federation and has always had a large degree of independence from the federal government authorities in Kuala Lumpur.

But trouble is brewing in what the early explorers called "The Land Below the Wind". The government of Dr Mahathir Mohamad, the Malaysian prime minister, accuses Sabah's leaders of plotting to take Sabah out of the Malaysian federation.

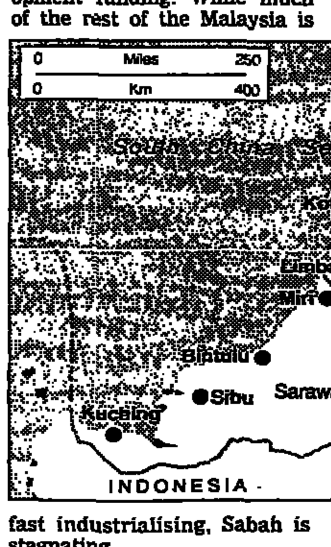
Several people, including the brother of Sabah's chief minister, have been locked up. The chief minister himself is fighting petty corruption charges brought *by the Malaysian* public prosecutor.

The origins of the present stand-off between Kuala Lumpur and the authorities in Kota Kinabalu, the capital of Sabah, go back to the last Malaysian national elections in late 1990. A few days before polling the ruling Parti Bersatu Sabah (PBS) in Sabah decided to pull out of Dr Mahathir's National Front government.

"We felt the opposition offered more to Sabah than the National Front," says Mr Joseph Pairin Kitingan, leader of the PBS and Sabah's chief minister. The opposition also looked at the time as if it would win. In the event Dr Mahathir's National Front government was returned to power, though the PBS retained its control in Sabah.

Since that election relations between Kuala Lumpur and Kota Kinabalu have gone from bad to worse. "These people," says Dr Mahathir of Mr Pairin and the PBS, "have no principle, *or any commitment at all*."

The PBS says Kuala Lumpur has cut off much needed development funding. While much of the rest of the Malaysia is fast industrialising, Sabah is stagnating.



"I feel," says Mr Pairin, "like a man under siege." Mr Pairin insists the PBS has no wish to take Sabah out of the Malaysian Federation, nor does he seek a confrontation with Dr Mahathir.

"We want good relations with the federal government," says Mr Pairin, "but Kuala Lumpur has a responsibility to develop the country as a whole – it should not matter whether the PBS is in power in Sabah or not."

Race and religion as well as politics are involved in the conflict between Kuala Lumpur and Sabah.

Dr Mahathir's National Front government is dominated by the United Malays National Organisation (UMNO), the main party of the Moslem Malays. Sabah has a population of only 1.7m. More than 50 ethnic groups plus many hundreds of thousands of immigrants from the Philippines and Indonesia make it one of the world's more colourful cultural crossroads.

Whereas politics on the Malay peninsula has tended to be split down racial and religious lines, Sabah has a more pluralistic political tradition.

While Sabah was a member of the National Front government, Kuala Lumpur left its politicians alone. But now UMNO is using its considerable financial resources to organise in Sabah. The PBS, many of whose *senior members* are Christians, says UMNO is recruiting Moslem immigrants into its ranks. It says UMNO's arrival in Sabah is divisive and threatens the state's racial and religious harmony.

Mrs Dayang Mahani, a native of Sabah and an UMNO supporter, disagrees. "The PBS has caused the disharmony. We need UMNO here so as to restore relations with the federal government and make sure Sabah shares in Malaysia's economic progress."

Local businesspeople are also concerned that the state is falling behind the rest of the country. Sabah, with its abundance of natural resources including timber and off-shore oil deposits, was once one of the richest states in the Malaysian federation. Now it is one of the poorest. Power costs twice as much in Sabah as it does in peninsular Malaysia.

The PBS accuses the federal authorities of doing nothing to encourage foreign investors into Sabah while the big domestic concerns – many of whom have connections with the governing political parties – will not risk official disfavour by investing in the state.

There were many in Sabah who objected to the state joining the rest of Malaysia nearly 30 years ago. Over the intervening period both Indonesia and the Philippines have launched claims to the state. Now Dr Mahathir is determined once and for all to claim Sabah for his UMNO party. "The Land Below the Wind" will be buffeted by some strong political storms over the coming months.

LDP 'godfather' urged to resign over gang links

By Robert Thomson in Tokyo

THE disgraced "godfather" of the ruling Liberal Democratic Party, Mr Shin Kanemaru, was yesterday urged to resign from parliament by a senior member of his own party, Mr Taku Yamasaki, the construction minister.

The call was ignored by Mr Kanemaru, leader of the LDP's largest faction and centre of a controversy over his violation of a political funds law and his links to gangsters.

Mr Kanemaru was recently fined Y200,000 (£935) for illegally receiving Y500m in donations from a parcel delivery company.

Mr Yamasaki, a member of a separate LDP faction, said Mr Kanemaru must resign because the gang links had undermined his reputation. The "godfather" is said to have used those links in an attempt to persuade extreme-right wing groups to stop protesting against LDP leaders in recent years.

Mr Yamasaki was criticised by other government officials for publicly urging the resignation, but the affair reflects continuing tension in the LDP over sustained public criticism of Mr Kanemaru. Heads of four business organisations, including the Federation of Economic Organisations (Keidanren), have also demanded that Mr Kanemaru give up his parliamentary seat.

Mr Kanemaru has been confident that he can ride out the criticism, but the controversy has forced him to keep a low profile. Public prosecutors, who announced that their investigation into illegal donations to politicians was over, have felt a need to respond to the continuing protests.

They said yesterday that investigations into the Y500m in donations may be re-opened, raising the possibility that some of the 60 politicians who later received a share of the money could be questioned.

Meanwhile, Mr Kanemaru's faction has settled a few of its internal differences by announcing a new structure in which some power is transferred to groups opposed to Mr Kanemaru's chosen successor, Mr Ichiro Ozawa.

The appointment of two new deputy chairmen within the faction is likely to lessen the influence of Mr Ozawa, one of the more outward-looking of Japan's leading politicians. The new power-sharing arrangement could weaken the ability of the faction and the LDP to decide on new policies, both domestic and foreign.

Island row halts Iranian hands of friendship

The dispute over sovereignty of Abu Musa has poisoned relations in the Gulf, writes **Cherry Mosteshar**

THE DISPUTE between Iran and the United Arab Emirates (UAE) over control of the small Gulf island of Abu Musa has shaken the region's recent calm and handed an unexpected victory to hardliners opposed to the policies of Mr Ali Akbar Hashemi Rafsanjani, Iran's president.

Three years of policies aimed at improving Iran's relations with its Arab neighbours have been undone in less than a month – and hardliners, ousted from power in the May elections to the country's assembly, are saying "we told you so".

The issue of who has sovereignty over the island, in the south-eastern Gulf, has also raised wider antipathies. Iran's old opponents in the region, such as Egypt, as well as some it has acquired more recently, most significantly Algeria, have come out in support of the claims of Sharjah, one of the seven city states which make up the United Arab Emirates, to the island.

Both the Gulf Co-operation Council (Saudi Arabia, the UAE, Oman, Kuwait, Bahrain and Qatar) and the 21-member Arab League have condemned Iranian "aggression" over Abu Musa.

Two months ago Iran was set to restore diplomatic ties with Egypt. But Iranian hardliners are claiming that a recent statement by Mr Amr Moussa, the Egyptian foreign minister, that the Arab countries must not give in to Iran, proves they were right to warn against the liaison. Iran and Sharjah agreed to share the island under an agreement signed in 1971 which gave Iran control over security and permitted an Iranian garrison on the island, while giving Sharjah sovereignty. The dispute now centres on claims that Iran is using its control of security to take over sovereignty.

Abu Musa and the flanking islands of Lesser and Greater Tumb, also under Iranian control but disputed by the UAE, form a strategically vital triangle at the mouth of the Straights of Hormuz at the entry of the Gulf.

Despite President Rafsanjani's protestations in mid-September that his government's "hands are ready to press hands of co-operation and friendship in the region", Tehran appears to be using the Abu Musa dispute to show the GCC there can be no security in the region without Iran.

Iran has, in particular, been aggrieved that the attempts by the GCC states, Egypt and Syria, to forge a regional defence structure out of the post Gulf war Damascus Declaration, little though they have so far come to, have been made without attempts formally to include Tehran.

Tensions over the island have been growing for eight months, since Iran refused to allow a boat carrying Sharjah nationals to land at Abu Musa.

President Rafsanjani: hardliners have won a victory against his policies of co-operation in the Gulf

Saalam, a daily newspaper which reflects the views of the Iranian hardliners, has called for a reduction in the level of the Iranian mission in Abu Dhabi and restrictions on trade with "the sheikhdoms supporting hostile policies".

A report last week by AFP, the French news agency, quoting diplomats in the UAE as saying that "Iran has no alternative but to leave the three islands," provoked Iranian officials to break with the reconciliatory tones adopted. Mr Khamel Kharazi, Iran's representative to the UN, and Mr Morteza Sarmadi, the foreign office spokesman, both claimed that all three islands belonged to Iran.

Mr Javan Larijani, a senior foreign policy official and member of the Supreme National Security Council, then used last week's Friday prayer service to issue a warning to his Arab neighbours. Mr Larijani, said policies adopted by the Arab Gulf states would lead them to "destruction". He said: "Experience has proved that Islamic Iran will not allow aggression against its territorial integrity."

He also discounted claims by the UAE to have an historic right to the islands, saying that few of the present Gulf states existed 70 years ago, while Iran has a history of more than 2,500 years.

While the politicians and negotiators talked of peace in Abu Dhabi, where the two sides met inconclusively late last month to seek a solution to the row, several Iranian military chiefs have been using more belligerent tones. Mr Mohsen Rezai, commander of the Revolutionary Guard, last week told his troops that if diplomatic means failed "we are ready to protect our territory". General Satari, head of the Iranian air force, said that if any aircraft took off against Iran, his men would be ready to defend Iran's soil.

But Iran's newly assertive policy over Abu Musa is also thought to reflect domestic pressures in the country. A political analyst in Tehran explained: "Iran is having trouble in her economic policies. This is already putting pressure on the government. The government therefore cannot afford to give up an inch of what the people see as Iranian land. It could have a devastating effect internally."

What is certain in all the confusion, is that Iran will not move on the territorial issue. Lose now and the country fears condemning itself to the second tier in the power structures of the region. More than friends, more than trade deals and more than international goodwill, Iran believes it must re-establish itself as a power to be reckoned with in the Gulf, the Middle East and the Moslem world. Abu Musa appears to be round one in the process.

Individual payment defaults rise 63%

JAPAN'S banks yesterday reported a sharp increase in individual payment defaults, with 171,613 cases in the first eight months, up 63 per cent on the same period last year, writes **Robert Thomson**.

The figures are generally interpreted as an indicator of personal bankruptcies, and the rise this year continues a trend begun in 1989, when the number of cases rose 29 per cent. In 1990, after the collapse of stock prices, cases rose 54 per cent.

The Federation of Bankers' Associations of Japan said the increase this year was linked to the continuing weakness of stock prices and a rise in credit card delinquency.

Individual Japanese are generally thought to have weathered successfully the economic downturn, but the banks say rates of borrowing compared with net income have increased sharply, while overtime earnings have fallen.

A continuing surge in individual bankruptcies suggests consumers are more burdened by debt than the Economic Planning Agency has reckoned, and are less able to lead an economic recovery.

South Korean TV makers take a bold grip on Europe

By Michiyo Nakamoto

THE small French town of Fameck near the Luxembourg border recently became the site of Europe's third South Korean television manufacturing plant when Daewoo Electronics, the electronics subsidiary of South Korea's Daewoo Group, opened its $30m factory.

Samsung started TV production for the European market in Billingham on Teesside a few months ago and Goldstar has opened a factory in Germany.

The added capacity to European TV production comes at a time when the European industry is experiencing some of the most difficult trading conditions in recent history. Television manufacturers throughout Europe have been under intense pressure as recession has slashed demand and prices have fallen.

"The market is basically flat in Europe," says a representative at Philips, the largest manufacturer in Europe, which dominates the market together with Grundig, the German manufacturer in which it owns a controlling stake.

Television sales in Europe declined 2 per cent from 22.5m units in 1990 to 22.1m units last year, while in terms of sales value the drop was greater at 6 per cent from Ecu8.49bn ($11.88bn) to Ecu7.99bn.

The television division of Grundig, which has a strong base in Germany, is expected to be one of the most affected by the group's decision to cut its overall workforce by 3,000. It has already closed a TV factory in Barcelona.

Ferguson, which is owned by Thomson Consumer Electronics, closed a television factory in the UK last autumn. Philips introduced short-time working in the first half of this year, although its plants are back to capacity now. Nokia, the Finnish group, expects to ship just 1m television sets out of a total capacity of up to 2m.

The Japanese manufacturers which set up in the UK have also been hurt. Panasonic, which has a television manufacturing plant in Wales with a capacity of 1.2m units a year, announced last month that it was moving to a four-day working week.

Unruffled by the climate in Europe, South Korean manufacturers have steadily built up a presence with Samsung claiming brand leadership in the 20-inch colour television market in the UK. "Our strategy is to develop a local business," says Mr Matthew Simmons, marketing manager at Samsung in the UK.

Mr Chan Jong Lee, deputy general manager for electronics at Daewoo, echoes his sentiments. "In order to sell in local markets it is better to manufacture locally. We are doing this with the European people," he says.

Both Daewoo's new factory, which will be producing sets ranging from 14 to 33 inches, and Samsung's factory in the UK, have a manufacturing capacity of 500,000 sets each. Compared with the European market of over 20m units sold in a year, that may be a "pin prick" as one of the leading European manufacturers said. The European manufacturers also enjoy strong brand loyalty in markets such as Germany and France.

However, the South Korean presence in Europe will doubtless intensify competition in a market where European manufacturers are already feeling the heat from Japanese manufacturers.

"In terms of brand share development, the overall positioning of European manufacturers has slightly decreased over recent years," according to BIS Strategic Decisions, the market consultants.

US and EC fail to break Gatt deadlock

By Lionel Barber, David Gardner and David Dodwell in Brussels

US and EC negotiations to break a 20-month deadlock in the Uruguay Round of trade reform talks stalled last night in Brussels amid intensive lobbying by French and US farm organisations.

Both sides claimed in a joint statement that "it was good progress and "we narrowed the gap" particularly on the most contentious issue of subsidised farm trade.

Meetings on technical details continued last night but the main negotiators on both sides have suspended talks for the time being. Mrs Carla Hills, the US trade representative, and Mr Frans Andriessen, the EC external affairs commissioner, are to meet at the weekend in Toronto in the margins of the "Quad" summit of ministers from the US, EC, Canada and Japan.

Mr Ray MacSharry, the EC farm commissioner, and Mr Ed Madigan, the US agriculture secretary, also plan to meet as soon as the technical work by officials on various scenarios for cutting back the value and volume of subsidised farm exports is completed.

The failure to achieve a breakthrough at Brussels comes as a disappointment after expectations had been raised over the past week. Because of the impending US presidential election, the talks had been seen as the last chance this year to reach a settlement in the Gatt round.

French farmers stand to lose most in the EC if the Community accepts US demands for substantial cuts in subsidised exports volumes. Mr Jacques Delors, European Commission president, has warned of the danger of a political backlash in France. Last week, he said Paris might boycott meetings of the Council of Ministers.

So close together yet so far apart

By David Gardner in Brussels

GATT

"THERE have been more near-misses on this than Bosnian cease-fires," a senior US diplomat observed recently. He wondered how it was that while the EC and US share an interest in concluding Gatt's Uruguay Round world trade talks and are seemingly near in their positions, they are still separated by what each sees as vital national interests.

On subsidies to farmers, which has held up agreement since the Uruguay Round summit collapsed in Brussels in December 1990, the US, EC and other leading agri-exporters are trying to position themselves in export markets, especially cereals. France threatened to pull out of next Friday's EC summit in Birmingham if the latest EC-US talks in Brussels gave away to the US too much of its food exporting "vocation".

As the EC's agricultural superpower, France has concentrated its attack on a Gatt provision to cut subsidised food exports 24 per cent on all products. This would be a blow to its wheat trade, the most sensitive commodity for the US alongside soya beans, on which it is conducting a parallel row with the EC. The need to cut subsidised exports, contained in the Round's "final act" which Gatt drew up last December, is separate to, and on top of, a 36 per cent cut in money paid out on export subsidies. At July's Group of Seven Munich summit, the UK proposed export volume be cut by 21, not 24 per cent.

Mr Ray MacSharry, EC agriculture commissioner, has pushed for "aggregation" or flexibility in farm sectors. This way the EC could export more wheat, for instance, if it sold less barley abroad, provided overall cuts in grain exports reached the target. The full 24 per cent cut, if it contains this flexibility, is a much better deal for the EC than a far lower cut without it.

The US knows this, and that the reform of the EC's Common Agricultural Policy (CAP), agreed in May, will cut European wheat prices to near world market levels. The real difference between the two sides on export volume is about competition, and French wheat is very competitive. If May's CAP reform had cut guaranteed prices a bit further, export subsidies would have been scrapped well within the life of any Round agreement, and the US would have been hard pressed to seek restraints on EC exporters. France would have been the main beneficiary from a slightly bigger cut.

The second big difference to be resolved is for how long EC compensation payments to farmers for the CAP reform price cuts will be exempt from reductions prescribed by Gatt. Mr MacSharry wants indefinite exemption, because the payments are compensation for price cuts and production cuts. The US, if the cuts in output are formalised, is ready to exempt the payments for only six years. It was thought Mr MacSharry might relent if the point was established that if these payments do cut output and reduce trade tensions, they should be exempt in the next round of cuts.

● *MacSharry (right): flexible*

Two months' work needed

By Frances Williams in Geneva

IF the US and EC eventually reach an accord, at least two months' work will be required by negotiators in Geneva before the 108-nation Uruguay Round can be completed. Other outstanding issues include:

■ **Agriculture:** Japan and South Korea want to maintain their rice import bans. They, and some other countries with supply management systems, oppose draft proposals for minimum market access and conversion of all import restrictions to tariffs.

■ **Market access:** An EC/US deal would set the framework for other country-by-country talks. But any accord on zero-tariff sectors would have to be agreed with others and there would have to be bilateral talks on products not covered by the US/EC bargain.

Poor nations want better access for textiles and tropical products in rich-country markets.

■ **Intellectual property:** Even if the copyright wrangle between the US and EC is settled in Brussels, Washington will still be pushing for changes to the draft intellectual property agreement to give greater protection for pharmaceutical patents in developing countries.

■ **Services:** The US and EC are not satisfied with offers from many developing countries to liberalise their services sectors, especially in financial services. The US wants better offers on basic telecommunications from almost all trading partners.

■ ***Multilateral Trade Organisation:*** *Negotiators are under pressure from environmental groups to make the MTO "greener" and are still wrangling over details of this proposed umbrella body for Gatt and the new agreements on services and intellectual property.*

■ **Dispute settlement:** Many developing countries want a formal commitment from the US not to use its powers of unilateral retaliation in return for a strengthened multilateral disputes procedure.

Services add to the impasse

By David Dodwell in Brussels

THE decision of US and EC negotiators to embrace disputes over trade in services and on market access in their meetings over the past two days in Brussels may have demonstrated earnestness of intent, but may have added to the problems of breaking the Uruguay Round deadlock.

Little progress has been made in settling disputes on services and market access, largely because Geneva-based negotiators have been unwilling to budge until the US and the EC reveal their hands on farm trade. For many developing countries, concessions from the US and the EC on farm trade are essential before they table any offers.

A vicious circle has developed as the US has in turn refused to table its own position without offers from the EC and developing countries.

A storm blew up when the US threatened to withdraw telecommunications, financial services and transport, especially maritime services, from any offer it might make on services trade. Since these were for many countries the only services areas of interest in the US market, the motive for continuing serious talks evaporated.

For the EC, a critical US concession on services would be a willingness to re-table telecommunications, financial services and maritime services. It is understood that fresh openings on financial services have been discussed, but headway on maritime services has been seen as unlikely.

Telecommunications concessions are unlikely until the EC can agree terms for liberalising its internal market. On market access, the EC is urging the US to attack its peak tariffs, especially in textiles, chemical dyestuffs, and ceramics. The US wants the EC to agree to scrap some tariffs that are already low, and harmonise downwards tariffs on chemicals, non-ferrous metals and fisheries. Progress here is hampered less by EC-US differences than by awareness that mutual concessions need to be matched by other countries.

Airbus scales back output growth rates

By Paul Betts, Aerospace Correspondent

AIRBUS Industrie is scaling back its output growth rates for the next three years in response to the continued depressed state of the civil airline market. The consortium is expected to delay the launch of a new 125-seater airliner, the A319, a shortened derivative of the 150 seater A320 aircraft, until later next year.

Airbus output will grow from 161 airliners this year to 180 aircraft in 1995 against an earlier target of 220 for 1995. Production will average 14.5 airliners a month next year, up from about 16 a month in 1994, with a further increase expected in 1995, but lower than the original plan to build 21-22 aircraft a month then. An Airbus official stressed the latest revision was not a production cut, but a reduction in estimated output growth rate. The latest cuts are the third downward revision in A320 production schedules.

Airbus has sought to play down production cuts in an effort not to undermine market confidence. It constantly monitors the market and adapts its production schedules accordingly. Like other manufacturers, Airbus has been forced to modify its schedules to meet demands from financially-pressed customers to postpone some deliveries.

Boeing has cut output of its 737 twin-engine aircraft from 21 to 14 a month this autumn and has announced plans to reduce 757 production from seven to 8.5 airliners a month from September 1993. The latest cuts in Airbus production rates were announced on the eve of the roll-out of the consortium's latest widebody, the A330 twin-engine airliner, in Toulouse tomorrow, expected to be a low-key event, reflecting the general state of the airliner market.

Airbus, whose partners include Aérospatiale of France (37.9 per cent), Deutsche Aerospace of Germany (37.9 per cent), British Aerospace (20 per cent) and Casa of Spain (4.2 per cent), said the latest plans envisaged a minimum production of A300/A310 widebodies of 30 a year during 1993-95. A300/A310 output this year is expected to total 47 aircraft.

Output of A320/A321 narrow-body airliners will average 80-90 a year during 1993-95. Production of the new A330/A340 family is expected to increase gradually from the present two airliners a month to seven a month by the end of 1995. Airbus had planned to launch the A319, the shortened version of the A320 this year, But the programme is unlikely to take shape until next year.

SIA considers moving departments to India

By Daniel Green in Singapore

SINGAPORE Airlines (SIA) is considering transferring accountancy and computer departments to India to cut labour costs. The move would echo Swissair's shifting its accounts department to Bombay this year; SIA and Swissair have 5 per cent stakes in each other as part of a triple alliance with the US carrier Delta.

SIA is studying Swissair's experience and said yesterday problems such as software compatibility had to be overcome. Other low-cost countries including China were possible sites, especially for data processing, SIA said.

The airline is also facing rising staff costs because of Singapore's labour shortage. Mr J Y Pillay, chairman, said yesterday he did not expect resistance from the company's staff.

The shortages are also forcing SIA to consider recruiting cabin crew from countries such as Malaysia and Indonesia. "We plan 8-10 per cent annual growth a year until the end of the century," Mr Cheong Choong Kong, managing director, said. This would entail doubling the fleet and cabin staff.

SIA is considering raising the salaries of female cabin crew. New female cabin crew recruits earn about S$2,000 (£737) a month. SIA has set up a pilot training school, but is still several years away from having all its co-pilots as Singapore citizens.

Algerians sign gas deal with Italy

By Francis Ghilès

SONATRACH, Algeria's state oil and gas monopoly, has signed a 20-year contract with the Italian state electricity company ENEL whereby Sonatrach will deliver 4bn cubic metres of gas a year starting in 1995. The gas will go through the trans-Mediterranean pipeline which takes gas to the Italian mainland through Tunisia and the Straits of Sicily, and whose capacity is being doubled.

The contract means Sonatrach will more than double its exports to Italy by the year 2000, to 30bn cubic metres a year. Mr Franco Viezzoli, president of ENEL, has signalled his company's wish to start immediate talks on doubling the amount it has contracted to buy. Gas now accounts for about 19 per cent of Italy's electricity, a figure set to rise 50 per cent by the year 2000.

The contract with ENEL underlines the advantages for Sonatrach of the more flexible oil and gas policy adopted by Algeria since 1988. Selling gas for electricity generation is a competitive business if compared with the more rigid liquefied natural gas trade.

Sonatrach hopes to double its gas output over the next few years as demand abroad has outstripped the company's capacity to deliver. Mr Hacen Mufti, Algeria's energy minister, has indicated Algeria will allow oil companies negotiating for enhanced oilfield recovery schemes the option of acquiring equity sharing in some oilfields.

Premier Belaid Abdesselam appears to attach less importance than his predecessor, Mr Sid Ahmed Ghozali, to getting large front-end cash bonuses from companies sharing in such schemes, preferring to stress the importance of developing proper technical models to develop the fields.

Malaysia hits at Austria move on timber imports

By Kieran Cooke in Singapore

COUNTRIES of the Association of South-East Asian Nations (Malaysia, Indonesia, Singapore, Thailand, the Philippines and Brunei) have expressed their concern about a recent move by Austria imposing mandatory labelling on all tropical timber imports.

Mr Sanusi Junid, Malaysia's agriculture minister, said the Austrian action went against the spirit and content of an agreement reached at the Earth Summit in Rio on the management, conservation and sustainable development of all types of forests.

Asean took a serious view of the Austrian action, he added. It had agreed to adopt a common stand on the issue, to dissuade other countries from making similar moves against tropical timber products. "We are of the opinion that if such action is to be imposed, it should also involve temperate timber."

Malaysia, the world's leading exporter of tropical timber, has been at the forefront of a campaign aimed at countering concern about continued logging in the tropical rain forests.

It says much of the developed world's criticism about forestry management in Malaysia and other countries is ill informed.

Advantage greatest in airlines, banking and telecoms

US comes top in services output

By Guy de Jonquières, Consumer Industries Editor

THE productivity of many large service industries is still higher in the US than in other leading industrialised countries, a study* by McKinsey Global Institute, part of the management consultancy group, shows.

The study finds the US advantage is greatest in airlines, retail banking and telecommunications, where productivity is as much as twice the levels in other countries.

The study estimates that, despite official claims that liberalisation has made Britain's telecommunications industry more efficient, its total productivity was only 54 per cent of US levels in 1989 and also trailed Japan and France.

However, Germany is close to US productivity levels in retailing, while in full service restaurants France was the world leader. Productivity in fast-food restaurants varied little between countries.

The study, based on a year-long research project, concludes that many of the most important variations in productivity are due to differences in national regulatory systems and labour market policies.

In general, productivity was highest in those countries where policy encouraged competition and labour market flexibility. Fewer gains were to be achieved by applying advanced technology than by introducing efficient organisation and management.

The study compares recent international productivity records in five service industries. These are:

● Airlines: On a weighted average of six different measures, including ground handling as well as in-flight service, European productivity was only 72 per cent of US levels. The gap was smallest in airport handling and widest in ticketing, sales and promotion.

Though part of the US airlines' advantage reflected superior scale, geographic route structures and the mix of services demanded by the market, the biggest reason for their higher performance was efficient organisation of labour.

However, the study found that the "hub-and-spoke" route structure favoured by large US airlines since the industry was deregulated reduced their productivity.

Services productivity

*Average of labour and capital productivity weighted by cost relations of labour and capital
Source: McKinsey analysis

● **Retail banking:** Overall productivity in Britain and Germany was only two-thirds the level in the US. In Britain, the difference was blamed mainly on weak competition, and in Germany on the commercial banks' extensive networks of small branches.

The study found that US banks offered customer service in their branches comparable to the two other countries and had invested more heavily in information systems and automated teller machines.

● **Restaurants:** Though the US ranked highest in terms of throughput per employee, France scored best in terms of value added per employee. The study found no clear explanation for these differences.

● **Retailing:** Overall US productivity was narrowly ahead of Germany and almost twice the level in Japan. Performance reflected the degree of concentration of the industry in each country, income levels and industry structure and organisation. However, property costs and scale economies were relatively unimportant.

● **Telecommunications:** The US advantage was largely due to superior capital productivity. US telephone networks handled four times more calls per dollar of investment than those in France and Germany, and twice as many as those in Britain.

France, Germany and Japan achieved labour productivity close to US levels, though Britain's performance was only 58 per cent of the US. The study suggests British Telecom is heavily over-staffed.

**Service Sector Productivity: McKinsey Global Institute, Washington DC.*

On the line: Al Gore (left) and Dan Quayle (centre) have the most to gain or lose from the debate, while James Stockdale faces a baptism of fire

US vice-presidential candidates enter debate intent on avoiding gaffes

Deputies in election limelight

THREE US vice-presidential candidates will take to the stage in Atlanta tonight set on besting each other in political debate and, above all, avoiding any disastrous gaffes, writes George Graham in Washington.

It is safe to predict the most surprising candidate will be Mr James Stockdale, the retired admiral running alongside Texas independent Mr Ross Perot, because voters know almost nothing about him.

But the stakes are higher for Vice-President Dan Quayle and for Senator Al Gore, the Republican and Democratic candidates. Both men know their ability to help their respective running mates - President George Bush and Governor Bill Clinton - is less than their ability to hurt them.

Tonight's debate is particularly important for Mr Quayle, who has not yet managed to live down the unfavourable impression he made in his first national campaign in 1988.

Mr Quayle says he has gained experience during his four years as vice-president, but complains he is unfairly treated by reporters. "It's the inability for us to get any kind of fair shake from the media that's been the most frustrating thing about this campaign," he told the New York Times.

Ironically, the vice-president stands to benefit from tonight's debate, as few viewers will expect a stellar performance. With a *modicum of good luck* Mr Quayle should be able to erase the memory of Senator Lloyd Bentsen's put-down in the 1988 vice-presidential debate after he injudiciously compared himself to President John Kennedy.

Yet Mr Quayle can be certain that any minor misstatement will be pounced on as further evidence of an inability to remove his foot from his mouth.

On the Democratic side, Mr Gore has so impressed most spectators with his intelligence, his command of detail and his unflappability that he will be hard pressed to match expectation.

But, like Mr Clinton in Sunday's debate, Mr Gore need do no more than hold his own.

For Mr Stockdale the debate offers a baptism of fire in policy questions - ranging from health insurance to the spotted owl. An academic at the Hoover Institution, a conservative think-tank in California, he holds the distinction of being possibly the first man in the last half century to have introduced the Greek Stoic philosopher Epictetus into American political discourse.

His principal topic of public conversation, besides the Stoics, has so far been his experience as the most senior US prisoner of war in Vietnam.

Few analysts expect Mr Stockdale to match his running mate's brand of humour and colourful phrasing, but he may do better on the details of the Perot platform. He says he has read the 117-page policy document, entitled "United We Stand," 10 times; this is widely believed to be 10 times more than Mr Perot himself.

IBM warns on chip chemicals

INTERNATIONAL Business Machines (IBM) said yesterday it had reduced the use of two chemicals used to make semiconductors which are suspected of causing miscarriages among women workers, Reuter reports from Armonk, New York.

The company said the use of diethylene glycol dimethyl ether and ethylene glycol monethyl ether acetate was cut by 40 per cent between 1989 and 1991. The two have not been incorporated into any newly developed chipmaking processes, an IBM spokesman said.

According to a study by Johns Hopkins University that IBM commissioned, 10 of 30 women who worked with the chemicals at two IBM plants and then became pregnant had miscarriages.

IBM has told its own workers, all other semiconductor makers in the US, and its suppliers about the study.

Mr Jim Ruderman, a spokesman for the company, emphasised that the study's results were preliminary.

He said that the results to date did not establish a "direct link" between use of the chemicals and the miscarriages but showed a "preliminary link".

He added the number of miscarriages was small but statistically significant.

Mr Ruderman said IBM was "continuously finding advances" in semiconductor manufacturing processes, and "the environment that may have caused the miscarriages may or may not exist anymore".

Top Cuban ideologue dismissed over scandal

CUBA'S Communist party has broken its official silence on the sacking three weeks ago of Mr Carlos Aldana, the party's ideology and foreign relations chief, saying he was dismissed because of a financial scandal, writes Canute James in Kingston.

The party said Mr Aldana, who was also responsible for culture, science and sports, had accepted favours from a company director who had earlier been arrested for the evasion of taxes and customs duties and for violating the country's strict foreign currency regulations.

The statement is an apparent attempt to end speculation that Mr Aldana, an adviser to President Fidel Castro and one of the architects of government policy, had been dismissed because he had argued for a moderation of economic policies, including a more tolerant attitude to private enterprise in some sectors.

A changing Dr Jagan in a changing world

Canute James on Guyana's president with a past

WHEN Dr Cheddi Jagan, the new president of Guyana, joins his colleagues at a Caribbean Community summit in Trinidad in a fortnight, they will all be more than slightly anxious to discard some mutual reservations.

Over the past three years Dr Jagan had repeatedly prevailed on his Caricom colleagues to help correct what were widely held to be repeated irregularities in the process leading to elections in Guyana and which Dr Jagan claimed had kept the People's National Congress party of Mr Desmond Hoyte in office. Dr Jagan wanted Caricom to send a team of observers to monitor the elections.

The Caricom leaders were, largely, unmoved by Dr Jagan's appeals and did not send a mission to Guyana. In the event the Caricom presence at the elections was contained in a Commonwealth team. This, said functionaries of Dr Jagan's People's Progressive party, was because no Caricom leader wanted to upset Mr Hoyte. "Despite this, I will not hold it against the Caricom governments," said Dr Jagan.

Dr Jagan, a 74-year-old dentist and a former premier of Guyana, has said, rather, that strengthening ties with Guyana's colleagues in the Caribbean will be a foreign policy priority of his new government. Whatever reservations the Caricom members had about monitoring the elections, the new president will be welcomed by his colleagues.

Dr Jagan, once an avowed Marxist, has been a victim of the ideological sea change which has overtaken many third world leaders over the past decade. However, his move towards moderation and his recent advocacy of a market economy have allayed concerns, held until recently by some of the more conservative *Caricom leaders, that Dr Jagan* was a closet communist.

The new president will also do well in mending fences with the US, which he describes as one of Guyana's "traditional friends". In the administration of Mr Forbes Burnham, Mr Hoyte's predecessor in office, Washington found itself not easily able to decide who might be a better friend.

Mr Burnham's state capitalism, in the pursuit of "co-operative socialism", including the nationalisation of foreign property, was the alternative to Dr Jagan's Marxism in the days of the cold war. Mr Hoyte's *volte face* in economic policy in deregulating the economy and distancing himself from the economic and political excesses of Mr Burnham apparently only strengthened the appeal of the reformed Dr Jagan.

The Hoyte administration's *revised policies were part of a* structural adjustment programme agreed with the International Monetary Fund and the World Bank. Dr Jagan, in opposition, had attacked the government for implementing the programme, arguing that the measures were too harsh.

The PPP now says that it will try to modify the IMF pact. "*We feel confident that the* IMF can be persuaded to renegotiate the harsh conditions which have been imposed on the weak PNC administration," according to the party.

Dr Cheddi Jagan, who was sworn in at the weekend as president of Guyana, is seeking *the assistance of two small* political parties, as his victorious People's Progressive party (PPP) has only a one-seat majority in the assembly, writes Canute James.

***Dr Jagan said he would ask* the Working People's Alliance and the United Force if they were interested in a coalition. The left-of centre WPA and the conservative UF trailed the PPP and the former ruling People's National Congress (PNC) in elections last week. Mr Jagan said he would not be seeking PNC support.**

PPP officials said the most likely partner for the party was the WPA whose presidential candidate, Mr Clive Thomas, could be given a senior cabinet post.

In taking over the government of the English-speaking republic of 900,000 people located on the north-east *shoulder of South America*. Dr Jagan faces three formidable challenges. The first is that he is in danger of being an anachronism. Dr Jagan last held political office 28 years ago, and since then has had to lead parliamentary opposition to the PNC. Much has changed in the world since, and old habits die hard.

The new president still speaks of his desire to act on behalf of the "working people", and an apparent objection to the sell-off of state enterprises and the involvement of foreign investors has had to be reversed and clarified by his advisers in the face of questions raised by foreign business.

Dr Jagan's second challenge is with the economy, which is based on sugar and rice production and bauxite and gold mining. In breaking the mould of state capitalism and in deregulating the economy, Mr Hoyte took the hard decisions. But the price paid by Guyanese has been high. A 64 per cent depreciation which followed the floating of the currency *last year contributed to high* inflation and reduced the standard of living of most Guyanese and led to increased emigration.

Foreign investors have looked favourably on Guyana, but Dr Jagan will need to encourage many more with significant amounts *of money to rebuild the economy*, which declined steadily until last year when it expanded by 6 per cent and grew by twice that rate in the first half of this year.

Guyanese voted largely along ethnic lines, with the PPP being supported by those of Indian origin, about 52 per cent of the population, and the *PNC by those of African* descent, about 38 per cent.

Dr Jagan has promised to work to end racial divisions, to begin with by appointing a multi-ethnic cabinet.

Ministers under attack as Lucas cuts 4,000 jobs

By Michael Cassell, Business Correspondent

THE jobs shake-out in British manufacturing continued yesterday as engineering employers accused the government of "ministerial paralysis" in failing to enact policies for lasting economic recovery.

Lucas Industries, one of the UK's largest engineering groups, meanwhile announced it was shedding at least 4,000 jobs – more than half of them outside Britain – over the next three years as part of a restructuring programme.

The company has already announced the closure of eight sites – none in the UK – and says a similar number of factories in unspecified locations are also likely to shut.

Lucas's restructuring takes place against a background of depressed automotive and aerospace markets, which the company says show only faint signs of revival.

The announcement coincided with the results of a survey by Remploy, which provides skilled workers under contract to manufacturing companies, which showed 500 UK manufacturing sites have closed in the last year, taking with them another 47,000 jobs.

There was harsh criticism from the Engineering Employers' Federation over the government's handling of the economy. Mr Neil Johnson, director-general, said engineering skills were going to waste in the recession, threatening Britain's longer-term ability to compete. He said the "vibrant core" of British engineering had not yet been dismantled but he attacked the government for having no clear vision on how to achieve recovery.

"A policy of waiting for something to turn up is demonstrably not going to provide the sort of positive results industry has the right to expect," he said. The DTI had until now offered "words rather than action".

The federation said the recession in engineering – which has cut total output by 13 per cent since 1989 and left more than 300,000 people unemployed – has bottomed out, six months later than first forecast. It warned that a further 55,000 engineering jobs could still be lost in the next year.

Engineering output in 1992 will have fallen, according to the federation, by more than 3 per cent on 1991. It is expected to increase by nearly 3 per cent in 1993, mainly because of a projected 10 per cent increase in motor vehicle output.

Lex, Page 20
Lucas results, Page 21
Background, Page 26

Sterling fear hits lending

STERLING lending to the private sector was flat in the three months to August, but foreign currency lending dropped by 2 per cent, reflecting fears over the pound's position in the exchange rate mechanism, Emma Tucker writes.

An analysis of Bank lending in the second quarter, published by the Bank of England, reflects a depressed economy with a private sector reluctant to accumulate debt.

Foreign currency lending to the private sector by 2 per cent with growing concern that sterling would have to devalue against the D-Mark.

The seasonally adjusted 2 per cent rise in lending to individuals was dominated by home loans. This rose by 2 per cent, prompted by the reimposition of stamp duty on August 20.

Business and other services recorded its fourth successive and biggest fall in sterling lending for five and half years in the three months to August.

The drop in lending for the private sector was partially offset by a 22 per cent increase in sterling lending to the energy and water industries.

Devaluation undermines consumer confidence

By Emma Tucker, Economics Staff

UK CONSUMER confidence fell sharply in the three months leading up to Black Wednesday, when the government abandoned the European exchange rate mechanism and sterling was devalued.

After the steepest loss of confidence in any quarter for five years, Business Strategies Limited (BSL) – an economic consultancy – warned yesterday that the next four months were critical.

In its latest regional survey, carried out with the market research company Gallup, BSL said: "If consumers respond positively to sterling's departure from the ERM...then confidence may bounce back a little with beneficial effect for hopes of recovery. If, on the other hand, consumers remain depressed, then a double dip recession becomes a very real possibility."

According to the survey, the collapse in confidence wiped out increased optimism in the three months to July, especially in southern England.

Confidence in every region has dropped to the levels at the start of the recession.

In Scotland, for example, optimism about the economy is falling and concern about unemployment is rising. In Yorkshire and Humberside, optimism about the general economic situation has declined, reversing many of the gains apparent in the previous survey. In the north confidence plunged over the last three months.

Mr David Fell, principal economist with BSL said hopes of a recovery this year had evaporated.

Mr Fell said the south-east, which accounts for one-third of the UK economy, remained the key region. After three months of improving expectations, respondents now expect their financial situation to worsen over the next few months. Fewer consumers were managing to save than at any time since the regional results were collated almost four years ago.

Embattled chancellor of the exchequer denies receiving German devaluation requests

Under pressure: Norman Lamont heads for parliament yesterday, where he faced intensive Treasury committee questioning

Lamont refuses to admit blame for sterling crisis

Main points to emerge from Mr Lamont's meeting yesterday with the Commons' Treasury and Civil Service committee.

Events leading up to Black Wednesday. Mr Lamont said he had heard nothing since September 16 which pointed to an alternative to the exit from the ERM, due to currency pressures. Mr Lamont said sterling's central rate in the mechanism of DM2.95 was not too onerous for Britain.

ERM re-alignment. Mr Lamont said the government had received no request from German authorities in the weekend before Black Wednesday for the pound to realign.

Future membership of the ERM. Britain will re-enter "in due course" when various conditions are met, including monetary conditions in the UK and Germany being closer to alignment. It would be possible for Britain to ratify the Maastricht treaty on European integration, without having agreed to go back into the ERM.

Inflation. Inflation has to be kept at between 1 per cent and 4 per cent, measured by the year-on-year rate in the retail prices index, excluding mortgage interest payments.

Effects of sterling intervention. Mr Lamont admitted purchases of sterling by the Bank of England on Black Wednesday – estimated at up to £15bn – had a contractionary effect on the economy.

Monetary policy since Black Wednesday. Base rates have come down by 1 percentage point to 9 per cent, while there has been an effective devaluation of 10 per cent. the main economic effort would be concentrated on cutting inflation.

ERM fault lines. These had arisen in recent months because of the "unique" circumstances of German re-unification which pushed up German rates, and the lack of symmetry between the economies of Germany and the US. That led to a strong D-Mark against the dollar, straining a number of ERM currencies, among them sterling.

There were technical aspects of ERM membership that could be usefully addressed, such as the rules related to when central banks should intervene to support currencies.

Forecasting. "Forecasts should be treated with caution and scepticism...no-one would like to see an [economic] recovery more than me". But there was a limit as to what governments could do to promote one.

Chancellor criticises FT reports

AT THE hearing, Mr Norman Lamont criticised two reports in yesterday's Financial Times.

The first referred to a meeting on September 13 and said UK officials broached the possibility that sterling might devalue, along with the Italian lira. The second said Mr Lamont told officials to put a favourable gloss on projections for the UK's public-sector deficit, published a month before the April general election.

Mr Lamont was asked about both at the committee meeting:

Mr Giles Radice: (Labour MP) "There's a report in today's Financial Times which says 'it has emerged that during the September 13 meeting at the UK Treasury, British officials briefly broached the possibility that sterling could join in the Italian devaluation.

"'The issue was raised at the meeting by Sir Terry Burns, permanent secretary at the Treasury, as an option, according to UK officials, but any likelihood that sterling would follow the lira by devaluing was, however, immediately scotched by Mr Lamont.'

"So clearly there was a possibility that there could have been a devaluation and you were advised that there was a possibility by your officials, but you chose not to go down that route. Isn't that the case?"

Mr Lamont: "No. That is not the case."

Mr Radice: "So it's wrong?"

Mr Lamont: "Well, I haven't actually had the benefit of reading that report."

Mr Radice: "You don't read the FT?"

Mr Lamont: "I sometimes read the FT, but I haven't currently been reading it and I certainly think that many of the things that it has written on these events are highly inaccurate and intended to be so. They seem to be extremely out to create a bit of problems here and there. Mr Chairman, I will only say that at the meeting on Sunday morning...I haven't read this article...so I don't know which meeting it is referring to."

In a later exchange:

Mr Brian Sedgemore: (Labour) "Can you respond to the serious criticism in this morning's Financial Times that perhaps neither this committee nor anybody else can take anything you say seriously on economic policy, because you are a dishonest person that gets Treasury civil servants to fake economic projections and statistics for political purposes. I have the Financial Times here, if you would like to read it."

Mr Lamont: "That is not correct. I'm afraid that's why I responded rather sharply about the FT earlier, no doubt unfairly on the FT. All I will say about that is that it is a very misleading article.

"All forecasts are discussed between ministers and officials. The forecasts obviously take into account the views of ministers and other senior officials who are not directly involved in the technical process of running the Treasury model. The final published forecasts are the responsibility of ministers, they reflect all the judgments made in the course of these discussions.

"I think earlier on we sent this committee a memorandum in July of last year about how the forecast was drawn up and we stand by everything that was in that."

Last night the Treasury declined to elaborate on Mr Lamont's comments. Mr Richard Lambert, editor of the FT, said: "The paper stands by its reports."

Five injured as bomb explodes in London

By Jimmy Burns and Ralph Atkins

FIVE people were injured, one seriously, when an IRA bomb exploded in the heart of London's West End yesterday.

The bomb which exploded at lunchtime in a pub in the Covent Garden area was the eighth to explode in London over the past week.

It followed a warning, described by police as "deliberately vague and confusing", to a radio station nine minutes earlier. The warning used a recognised IRA code-word and stated that the bomb has been placed in the "Leicester Square area", leaving police with little time to clear surrounding buildings.

An eyewitness said the the blast appeared to have been caused by a bomb planted in a rubbish bin outside the pub.

Although the recent attacks have so far involved relatively small devices and caused few casualties, they have been marked by a constant shift in tactics aimed at stretching police resources while providing maximum publicity for the provisional Irish Republican Army (IRA), which is fighting against the deployment of British troops in Northern Ireland.

The bombing campaign coincides with cross-party talks on Northern Ireland's future which involve nationalist and Unionist leaders but excludes Sinn Fein, the political wing of the IRA.

The earlier attacks, including an explosion on Saturday outside Paddington Green top-security police station in west London, where IRA suspects are held for interrogation, were also seen as the IRA's response to the Tory party conference last week.

It was followed by an IRA statement which warned: "British military and political leaders should take this signal of our intentions seriously."

But with the blasts continuing there were fears of a new autumn offensive.

Last week a series of hoaxes also disrupted public transport.

Stricken company hopes Zurich Insurance could provide cover for local government

Swiss group in rescue talks with MMI

By Richard Lapper

HOPES of a rescue bid for Municipal Mutual Insurance, the local government-owned insurance company, rose yesterday following an announcement that the stricken insurer is holding talks with Zurich Insurance, the Swiss company.

In a joint statement, the two companies said they were "in talks to provide on-going commercial insurance cover for local authorities".

No binding agreement has yet been reached. The companies would not say whether Zurich was offering to assume MMI's existing insurance liabilities.

Municipal Mutual stopped underwriting new business late last month after earlier rescue talks with the Paris based La Garantie Mutuelle des Fonctionnaires broke down.

MMI has been been badly hit by an escalation of claims on its public and employers' liability business. Its losses in 1991 amounted to more than £200m.

Zurich, the third biggest non-life insurer in Europe in 1991, has designated the UK as a strategically important market for expansion.

Its existing Portsmouth-based subsidiary, which underwrites both life and general insurance business, ranked 20th in size in the general insurance market in 1990.

Mr Dennis White, chief executive of Zurich Insurance in the UK said: "There are still a number of issues, but subject to these being resolved we shall be able to offer insurance cover to local authorities on realistic terms before the year end."

Zurich would acquire "all necessary staff and systems from MMI, so that MMI insurance products and services can continue to be provided to local authority customers", Mr White added.

It is also one of a number of companies discussing the provision with MMI of private car and home insurance for local authority employees and other MMI customers.

Mr Brian Wright, group chief executive of MMI, said that if the plans were successful "it would result in a large number of staff at Farnborough and in regional offices throughout the country continuing with their present jobs but as part of Zurich Insurance.

"It would be a very significant forward step in the solution of MMI's problems."

Local authority associations offered a cautious welcome to the development, but said they would "need to be satisfied that existing contracts with MMI would be honoured in full in any agreement between MMI and Zurich".

The authorities said they would need to examine "very carefully the treatment of claims arising under previous years' policies".

The Manufacturing Science and Finance Union, which represents 1,500 of MMI's 2,000 staff, also offered a "cautious and conditional welcome".

Directors on trial over Iraqi trade

By John Mason

THE Department of Trade and Industry was deceived by three directors of Matrix Churchill, the Coventry-based machine tool manufacturers, into believing that equipment exported to Iraq was for civilian – not military – use, an Old Bailey jury heard yesterday.

The pretence by the three was an attempt to evade the ban on the export of military equipment and sell Iraq machine tools and computer software to manufacture bomb fuses, Mr Alan Moses QC, prosecuting, said.

Mr Paul Henderson, a former Matrix Churchill managing director, Mr Trevor Abraham, a former commercial director of the company and Mr Peter Allen, a former sales director, all deny four counts of breaching export regulations between July 1988 and August 1990.

Mr Moses, for Customs and Excise, which is bringing the prosecution, said contracts and other documents showed the machine tools and software exported had always been intended for military use.

A report by a Matrix Churchill employee following a visit to Iraq referred to a fuse project. A contract signed in 1988 between the company and Industrias Cardoen, a Chilean company involved in the transaction, referred to fuses to detonate bombs.

Matrix Churchill supplied a complete package including the training of Iraqi personnel in the use of the machine tools.

Their manufacture was sometimes sub-contracted to other companies but Matrix Churchill always took responsibility for seeing that export regulations were adhered to, Mr Moses said.

All three defendants, however, had played parts in deceiving the DTI to get around the ban on exporting military goods and obtain the necessary export licences, he said.

They gave false descriptions of the purposes the equipment would be put to and all three, particularly Mr Henderson, suggested it could be used for civilian purposes.

The DTI suspected the equipment could be used for military purposes, but had accepted assurances given by the three directors that the equipment was for civilian use.

The trial, expected to last about eight weeks, continues today.

Government rejects EC charges on green issues

By Bronwen Maddox, Environment Correspondent

THE GOVERNMENT accused Brussels yesterday of acting with insensitivity as it dismissed claims that the UK will be taken to the European Court of Justice for three breaches of environmental laws on wild birds and emissions of nitrous oxide.

Mr Michael Howard, environment secretary, was called to defend the government's "green" record at yesterday's relaunch of a campaign to persuade householders to save energy and help to prevent global warming.

He said: "We have received no communication whatsoever from the European Commission on these issues since before the general election in April", adding that he had thought the three disputes had been "amicably resolved".

Brussels has sent reasoned opinions to the UK government – the last step before court action - for allowing farmers to shoot "pest species" of wild birds such as crows, starlings and magpies, and for its alleged failure to provide enough "special protection areas" for wild birds.

Michael Howard: thought disputes had been "amicably resolved"

A third dispute over the "failure" to monitor levels of nitrous oxide is less advanced. Mr Howard said that he did not expect any of the arguments to end in court.

The row, just days ahead of Friday's EC summit in Birmingham, will fuel Britain's calls for less interference from Brussels. Giving evidence yesterday to the Commons foreign affairs select committee, Mr Douglas Hurd, foreign secretary, said: "My own personal view is these things [should be] a matter for national governments acting in line with national traditions, national feelings."

The new campaign, called "Helping the earth begins at home", will cost £10m over the next three years and will urge householders to lag water tanks and turn off lights.

Britain in brief

Large-scale pit closures likely today

British Coal is expected to announce the closure of 26 pits today in a sweeping rationalisation plan involving the loss of thousands of jobs.

The closures represent over half British Coal's remaining 50 pits, and are part of the drastic reshaping necessary to prepare the company for privatisation. The closures will cost more than 20,000 jobs, one of the largest set of redundancies ever announced at one go. The government will try to soften the blow with promises of aid, though the prospects for this given the current state of the budget are slim.

M&G director replaced

M&G, Britain's largest independent unit trust company, has replaced its marketing director in a move that signals a shift towards a more aggressive sales approach and a greater emphasis on products other than unit trusts.

Mr Tim Miller, who was also a main board member at M&G, will be succeeded by Mr Peter Emms, formerly executive director of marketing at Allied Dunbar, a life insurer which relies heavily on commission-only agents and has been known for an aggressive sales approach. M&G, which has always sold its products only through independent financial advisers, is now considering the establishment of a small direct sales force.

Offer sought on Canary Wharf

Administrators of Canary Wharf, the financially troubled East London property development, have asked the government for more time to revise their offer of a contribution to the costs of building the underground Jubilee Line extension.

The administrators, who are three partners of the accountancy firm Ernst & Young, met Lord Wakeham, the Lord Privy Seal and leader of the Lords who is chairing a government committee on London Docklands.

They were accompanied by Lord Griffiths, Lady Thatcher's former adviser who is now international adviser at Goldman Sachs, the US investment bank which is working for the administrators.

Retailers hold market share

The UK's biggest retailers continue to be the most profitable of their kind in Europe in spite of the severe recession that has ravaged the service sector.

According to an analysis by consultants Management Horizons, UK companies accounted the six most profitable retailers in Europe last year. Their profitability stemmed from the big investments UK retailers had made in own-brand development, superstore construction and information technology and distribution systems, the report said.

Overall, UK companies accounted for 24 of the 50 most profitable European retailers.

Manufacturing capacity at risk

Serious losses of manufacturing and business capacity are threatened unless there is a significant increase in economic activity, according to north-west England's chambers of commerce. The chambers' regular quarterly survey for the July-September period shows confidence crashing as orders nosedived. Nearly all improvements in trends during the last 12 months were wiped out.

MG rides again

Rover Group, the car-making subsidiary of British Aerospace, is to relaunch its MGB sports car in a redesigned version known as the MG RV8. Rover said it is also considering re-engineering the car for export following enquiries from prospective Japanese and European buyers.

Living life beyond the limit

Victoria Griffith and Clive Cookson explain why scientists and pharmaceuticals companies are searching for the secret of eternal youth

Humans have long been fascinated by the idea of eternally preserving youthful vitality. Much of Florida was mapped out by the Spanish explorer Ponce de León in his search for the fountain of youth. A few years ago, Hollywood made a small fortune by exploring the idea of eternal life in the film Cocoon.

Only in the last few years, however, has the search for youth made the leap from myth and dreams into scientists' laboratories. After years of concentrating on specific diseases like heart disease and cancer, some researchers are turning their attention to an increasingly common cause of death: old age.

Research on ageing is becoming a hot area for scientists. Human growth factor, nerve growth factor, DHEA hormone and deprenyl are just a few of the drugs that have been shown to have an impact on some processes involved in ageing. But none has been shown to extend life reliably.

The basic mechanisms underlying the process of ageing are still poorly understood. Researchers do not even agree on such fundamental questions as whether there is a irreversible biological limit to the human life span. If there is, it might still be possible to extend the lives of those who die "prematurely" – before the age of about 85 – but there would be no hope of keeping significant numbers of people alive beyond 115.

"One reason for the lack of definite progress so far is that ageing offers not too few, but too many, lines of investigation," says Tom Kirkwood of the National Institute for Medical Research in London.

"As we grow older, almost everything in our bodies undergoes some change. Not only is it difficult therefore to sort out which changes are causes rather than consequences, but it is not even clear what kinds of causes we should be looking for," he says.

Some scientists are searching for genes which may bring about ageing in a controlled way, like the ones that govern growth from embryo to adulthood. Some are concentrating on the proteins which maintain the normal working of cells and which lose their normal patterns of activity in old people. And some are trying to sort out the myriad of agents, both internal and external, which damage cells over the course of a lifetime.

Kirkwood rejects the popular idea that "ageing is good for the species and that we die as an evolutionary adaptation to make way for new generations". Unfortunately, there is no specific life-terminating genetic programme which scientists might in principle be able to identify and switch off, he says. Instead, we age because of an accumulation of errors in many cellular repair mechanisms.

The US National Institute on Ageing (NIA) is funding some of the most exciting research projects in the field. In one study, Daniel Rudman of the Medical College of Wisconsin discovered that human growth hormone, administered to 50 men in a nursing home, seemed temporarily to turn back the biological clock, improving bone and organ strength and making the men more physically active.

At one time, human growth hormone was an extremely rare substance, used exclusively for correcting the dwarf syndrome. Advances in biotechnology have recently made it possible to make the hormone synthetically. Eli Lilly and Genentech, two manufacturers of the substance, participated in Rudman's research.

Although human growth hormone is more plentiful than it once was, it is still expensive. Rudman's patients would have to pay about $14,000 (£7,900) a year for the drug if they were to purchase it individually.

In an attempt to pare down the costs and increase the efficiency of the treatment, Mitchell Harman of the NIA has taken Rudman's research one step further. He has created the "growth hormone releasing hormone", a substance which stimulates human beings to produce more growth hormone in their own bodies.

Another drug that has come under scrutiny for its anti-ageing effects is DHEA, which according to some studies can make faltering immune systems come alive again. DHEA is a natural hormone which decreases in the body with age. Experiments with the substance helped spawn the "morning after" pill, which contains some DHEA. Today, DHEA is manufactured by several companies, although it has not been approved for use against ageing in the US.

Scientists also hope that genetic manipulation may help extend life spans. Geron Corporation in California, for instance, has been studying genes that may trigger ageing, as well as compounds that may reverse these effects.

Researchers have bred strains of fruit flies that live twice as long as normal and are identifying the genes responsible. One gene produces an enzyme, superoxide dismutase (SOD), which mops up highly reactive chemicals called free radicals that damage biological tissues. However, scientists have not yet developed a protective drug that could deliver SOD to the cells where it is needed.

Oxygen free radicals, in particular, may well be an important factor in ageing and some doctors believe that anti-oxidants such as vitamins C and E can help prolong life. If so, the traditional advice for children to eat up their green vegetables might help them to live longer.

Indeed, eating a controlled diet is still the only method widely believed by scientists to have a significant impact on lifespan. "Diet is the only known way of extending life," says George Roth of the NIA.

He points to experiments with a range of animals including insects, rats and monkeys. "We limit their food intake and give them vitamin supplements. So we aim for under-nutrition without malnutrition."

The results from the experiments are astounding. In all cases, a low-caloric intake was shown to extend the organism's life by about 40 to 50 per cent. The method has already won over some believers. Roy Walford, who launched the well-known Biosphere project, is currently experimenting with under-nutrition on himself.

According to Roth, however, under-nutrition may not be necessary. "The idea is to come up with a drug which would have the same impact on the body as low-caloric intake," he explained.

Despite progress in the field, many observers believe it will be a long time before a trip to the local pharmacy includes a stop at the life-extension counter. Many companies have little incentive to spend money on ageing research, since many of the substances are naturally-occurring and are therefore difficult to patent. Another problem is that regulatory authorities may not be keen to approve the drugs for market.

Anti-ageing drugs may also have serious side effects, the most dangerous of which could be cancer. Since cancer, or the over-growth of cells, is in some ways the opposite of ageing, or the under-growth of cells, medical manipulation may push the body over the edge to malignancy.

Scientists are also concerned about the ethical and financial implications of anti-ageing drugs. Increasing life span without increasing health span, for instance, could do more harm than good.

"If we add on years to human life but do nothing to make them more active during those years, what we are doing is adding to human misery," says Roth. "We have to think hard about these questions, or we may end up with 150 year-olds who spent the last 60 years of their life in a nursing home. That would be a disaster."

Technically Speaking

Tight squeeze putting desktops in a pocket

By Geof Wheelwright

"Dozens of high-tech companies in the UK, Japan and the US are scrambling" to produce hand-held computers, driven by a burning desire to put a "computer in every palm". Few of them, however, seem to have grasped the basic difference between designing a computer that will sit on your desk and one that will fit in your pocket.

Most are climbing over one another to make hand-held computers that are as fast, powerful and easy to use as today's desktop systems. But in order to meet the size requirements of a hand-held computer, manufacturers are using miniaturised versions of old technologies.

The problem is that yesterday's hardware – even when it is updated and shrunk until it fits into the palm of your hand – will not run the latest PC software.

Rather than recognising this limitation – and rethinking their design strategy – many makers of pint-sized PCs are forcing users to accept these abbreviated versions of their desktop PC software. Even big companies such as Atari, Memorex and Fujitsu have gone this route.

There are five big limitations that have prevented hand-held systems from achieving the same power as their desktop brethren: memory, storage space, processor speed, display quality and keyboard size.

On most systems, memory and storage space are provided by "solid state", battery-backed memory chips – and the restriction lies in the number of chips which can be squeezed into one tiny machine. This part of the equation may improve slightly with the advent of ultra-small, magnetic disk drives such as Hewlett-Packard's recently launched 1.8-inch diameter disk drive – but these also carry a price in terms of power consumption.

Meanwhile, the processor speed of hand-held machines is increasing more quickly than in desktop systems. But these faster processors will take a few years before they can reach the power of today's desktops. And they will always lag behind due to the physical dimensions of hand-held machines.

Display quality and keyboard size are also limited by the size of your wallet - and the size of your fingers. While there are some creative alternatives to the keyboard – such as voice or pen-based machines – these fall outside the mainstream PC world.

And therein lies the problem. Although it may be technologically possible one day to fit a full-blown desktop PC into a computer small enough to fit in your pocket, this is not what most people want.

Rather, they desire a tool which will help them access vital information that is needed when they are out of the office – and which carries with it the capability to send and retrieve information from that office or others.

Some companies – such as HP's 95LX, Japanese electronics giant Sharp's popular "IQ" or "Wizard" range and Psion's 18-month old Series 3 hand-held computer – have recognised this and are reaping the benefits of having done so.

Pocket-sized computers are simply a different kind of product. Unlike the general-purpose desktop PC they need to be geared to the special needs of certain users.

We already have pocket-sized "organisers" such as the Sharp Wizzard, and pocket-sized computer games such as the Nintendo Gameboy. What next? A word processor for those on the move or a facsimile machine that fits in your pocket are possibilities.

The breakthrough in hand-held computing will, however, come with the ability to build wireless communications into a pocket-sized computer at a mass-market price. We already have cellular telephones that fit in your pocket and a few computers that are pocket sized. What we need is a single unit that combines both.

هكذا من الأصل

MANAGEMENT: THE GROWING BUSINESS

Next year's European Single Market may bring with it a bureaucratic nightmare for companies that charge VAT, says **Charles Batchelor**

Exporters pick up the pieces as barricades fall

Radical changes in the way that businesses in Europe account for value added tax (VAT) are causing consternation among companies and industry associations throughout the European Community.

From January 1 the formal creation of the Single European market will lead to the abolition of border controls and remove the customs posts which at present monitor VAT and collect trade statistics.

Companies with customers and suppliers elsewhere in the Community will record their own VAT information and compile their own trading records.

There are widespread fears that this, the most fundamental shake-up of the VAT system for two decades, will create a bureaucratic nightmare and impose considerable extra costs.

The new VAT and reporting systems will affect the 140,000 UK companies which currently trade with other EC countries while some 30,000 companies will be required to fill in far more detailed monthly returns on exports. Many hundreds of thousands of businesses in other EC countries must also comply.

"We have been horrified at what is happening," says Sandy Anson, tax specialist at the Institute of Directors (IOD). "This was a political decision taken by the Community before anyone thought of the practical ramifications. The more you look at it, the worse it gets."

Other industry groups around Europe share these fears. The French Employers' Association, the *Patronat*, doubts whether the new system will really simplify cross border trade, while its German counterpart, the *Bundesverband der Deutschen Industrie*, describes the transitional system as "an optical illusion".

By moving from customs posts to internal controls within companies, the Community is merely exchanging a visible hindrance to trade for a less visible, but equally, powerful barrier, says Winfried Eggers, the BDI's tax specialist.

The tight timetable which has been imposed has meant that many businesses are scrambling to modify their VAT procedures and their internal data collection systems. But others remain unaware of the implications of the changes.

Many companies have made the mistake of treating the new VAT rules as a purely technical issue and have delegated responsibility to junior managers in their tax departments. "There is not the grasp at board level of the importance of the new system," comments John Arnold, a tax partner at accountants Coopers & Lybrand. "We are looking at major changes in the way companies operate."

The need to have the new system in place by January 1 has put pressure on both the European Commission and national governments. Amendments to the new system are still being considered in Brussels while many member states have yet to pass the legislation needed.

Under the present system, no VAT is payable on exports but tax is levied when the goods reach their port of destination. When border controls go, this system will no longer be possible so the European Commission proposed moving to what it calls an "origin" system of taxation.

This would have meant an exporter based in London and selling to a customer in Milan would charge UK VAT just as if he were selling to Liverpool. The Italian businessman would then recover the UK VAT through his Italian VAT return and charge Italian VAT when he sold the goods to his Italian customers.

The problem with this proposal was that it would have required far greater harmony between VAT rates in the different countries. It would have probably meant that the UK would have had to drop its zero-rating of childrens' clothing and many foods, a step with serious political implications.

A clearing house would have been needed to redistribute VAT revenues around the member states and many countries doubted whether this could have been made to work effectively.

These difficulties persuaded to the Commission to go for a transitional system from next January with the aim of launching a full-blooded 'origin' system in January 1997. Under the transitional system, there is still no VAT on exports to another EC country and the importer, if it is a VAT-registered business, pays VAT when it takes delivery of the goods.

But if the purchaser is a private individual, or an organisation not registered for VAT, the goods are taxed in the exporting country. And special rules have been drawn up for "distance sales", such as through mail order and for sales of high value, easily moveable items like cars, boats and planes to non-VAT registered individuals.

Finally, since VAT inspectors will no longer be collecting data at border posts, companies will be required to submit details of imports and exports to Customs. Smaller traders must file what is known as a European Sales List every quarter while larger companies, buying or selling more than £135,000 a year, must make a more detailed declaration every month.

UK Customs & Excise acknowledges that the new tax regime is complex but says it represents a necessary compromise between the demands of the 12 EC member states. It has been publicising the new system for more than a year and has already visited 20,000 companies.

"We hope people will get it right but, realistically, they will not at the outset so we will treat errors and misunderstandings leniently in the early stages," Customs says.

Despite these worries, even the new regime's critics accept that it will bring some benefits. There should be an end to border delays and a saving on freight clearance costs at ports. According to one estimate, the abolition of tax controls at the frontier will lead to Europe-wide savings of £10bn.

Importers will no longer have to provide bank guarantees to Customs for VAT payments due. Since the banks set these guarantees against their customers' total loan facility, this could free a total of up to £3bn worth of capital for other uses, the IOD's Anson calculates.

But there are considerable doubts about many of the details of the new regime. They include:

- Difficulties in accounting for what is known as "triangular trade", when a buying office in, say, Germany orders goods from Spain for delivery to a branch location in France. To avoid the risk of being taxed twice, the buyer must choose where to register for VAT purchases. Triangular trade is far more common than at first thought.
- It may be difficult for an exporter to provide proof his goods have gone abroad. The government has said exporters will not be penalised if they take all reasonable precautions but business organisations wonder how understanding Customs will be. Exporters must record their customers' VAT-registration number on invoices but some countries, such as Germany and France, are only now issuing numbers.
- Mail order companies doing substantial foreign business must appoint a representative to handle their affairs locally and provide a contact point for the local VAT authorities. It may prove difficult and expensive to find such agents since they will assume an unlimited liability for paying VAT, says Adrian Ogley, tax specialist at the CBI. "The cost of maintaining a local representative may wipe out any profit for a small company."
- Differing currency valuations, transfers to overseas branches which have to be registered as sales, and alternative ways of doing business such as leasing, may all create distortions in the reporting of trade information to the VAT authorities. Many UK companies will have to modify their internal data collection methods to provide the much more detailed information required.
- The potential for fraud. At present if Customs suspect a misdeclaration of the value of a shipment, they can hold on to the goods. In future they may have to check back on the value of consignments made three or more months earlier.
- Confusion could result in the first few months of 1993 because many countries have yet to introduce the legislation needed to implement the new system. Countries such as Germany, Italy and Denmark will be introducing detailed legislation to implement the new VAT system this month or next. The EC itself is currently working on a "cleansing directive" to sort out some of the problems created by the original VAT directive but this may not be agreed until November or December.

Industry lobbyists around the Community agree that there is little they can do now to change the way the transitional system will work from January 1 though they are determined to make their voices heard before the final system is introduced in 1997.

Ultimately, apologists for the new system claim, acceptance is just one of the start-up costs of the single European market which is forecast to bring general trading benefits of £170bn to businesses in the Community. "But the benefits come in the general commercial area while there are a lot of costs on the VAT side," says the CBI's Ogley. "Everyone wants the single market but the question is, do they want it at this price?"

At present

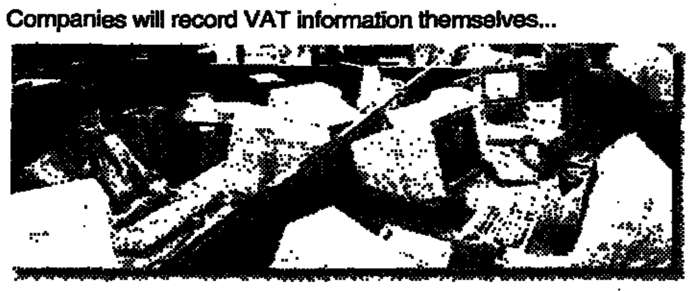
Trade is subject to border checks...

... often leading to delays

From Jan 1

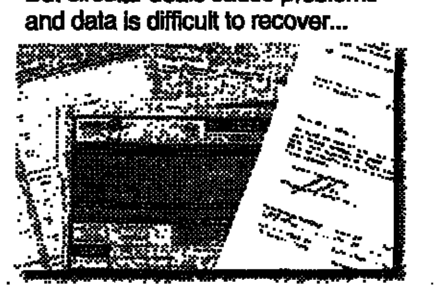
EC lifts border controls & creates Single Market

Companies will record VAT information themselves...



...so internal systems need modifying now

But circular deals cause problems and data is difficult to recover...



...allowing scope for fraud

Computers

Race to get the systems right

Most companies are now faced with a race against time to make the necessary modifications to their core computer systems to meet the requirements of the new regulations.

The alternative will be a time consuming and expensive monthly struggle to collate information manually.

Many, however, have still to tackle the strategic issues concerned with changing business practices to meet the 1993 requirements, let alone modifying their computer systems to produce the information.

Some estimates indicate that only 10 per cent of the 30,000 companies which will have to submit the most detailed reports have yet begun to assess the detailed systems changes which will be required.

It seems a classic example of a business imperative falling into the gulch between general management and information systems management. Each believes the other is responsible for initiating and implementing the necessary changes, and as a result nothing has been done.

The heaviest burden will fall on the larger companies – exporting or importing more than £135,000 worth of goods a year – and those trading with several European countries. For companies which have not yet begun to modify their systems, it may be already too late to meet the end-of-year deadline.

The reason is that although the software changes might seem slight, they are extensive, affecting the programs responsible for sales order processing, purchase order processing, accounts receivable, accounts payable, fixed assets and inventory. Changes to these core systems cannot be made quickly or easily.

Many companies rely on accounting software developed years ago in technologies now obsolete. The design details of these "legacy" systems often become obscured and programmers are reluctant to make changes because of the risk of crashing the entire system or generating errors in other programs.

Modification becomes more complicated when a company is using a number of systems. Only a minority have so-called "integrated" accounting software, which uses common descriptions of data and accounting conventions. Another reason why time is short is the chronic shortage of skilled staff which already inhibits companies' ability to develop new computer applications.

There are software packages on the market designed to cope with the new requirements, but companies cannot simply buy their way out of difficulty by installing a package. Software of this kind needs data to process and the only place this can come from is the corporate accounting system.

Companies which have yet to prepare for 1993 have three options, other than modifying their existing systems.

- They can write, or have written, a special piece of software which will accept data from their existing accounting system and turn it into reports acceptable to the Customs authorities. This could cost between £6,000 and £80,000.
- They can buy a cheap and cheerful software package which will generate the appropriate VAT returns. The data will have to be keyed in by hand, however, which will be costly in time and money.
- They will have to prepare reports manually or pay an agent to do the job for them.

VAT reports can be submitted on paper, on half-inch magnetic tape, 3.5 inch diskettes, or via electronic data interchange – a range of options which some firms may find restrictive.

Alan Cane

Case study: The large company

Building up a core of expertise

For British Steel, the problem of responding to the new VAT regulations hinged on the scattered nature of its operations.

The group had been formed from 14 separate companies, all operating independently and frequently with incompatible data collection systems.

Group VAT returns are at present compiled from 31 separate "manual" returns.

With more than a quarter of British Steel's £4.6bn annual sales made to other Community members and significant volumes of raw materials and other goods coming in from continental Europe, the company clearly faced considerable changes.

British Steel had a choice, explains Harvey Collyer, a manager closely involved in the project.

It could get each of its operating units to provide the VAT data to Customs & Excise or, alternatively, it could centralise data collection.

The latter approach had its attractions but the company had never before had a central commercial data base.

Despite this, British Steel opted for a centralised approach because this would allow it to build up a core of expertise in single market issues while the head office experience of VAT matters could be applied to any problems which arose.

It would avoid individual businesses putting different interpretations on the reporting requirements.

In addition, the company would have to maintain only one system to process data for single market requirements and if changes were made in the reporting requirements, there would only be the need to make one set of amendments to the system.

Once the decision had been taken to introduce a central system, British Steel discovered other benefits, says Collyer.

Not only would the information be more accurate, it would also be more timely because by avoiding the need to cross-check the data, it could set a later cut-off date.

Delivery information required from national producers under early EC legislation could be provided centrally and a corporate commercial data base could be set up.

Responding to the new VAT regulations has produced some valuable and unexpected benefits but it has also thrown up some tricky administrative problems.

The two main ones have been obtaining the VAT numbers from its European customers and deciding on a uniform method of allocating a tariff number, which identifies a product for customs' purposes, to its purchases.

At present British Steel has no need to record the tariff number, or even to note the country from which the goods have been supplied.

From January 1 it will have to record this information.

BS believes it will achieve its twin aims of providing the trade data required by the European Community and automating its VAT returns by January 1.

This is despite the fact that the new VAT legislation is still not complete.

Harvey Collyer: opted for centralised approach

Case study: The small firm

Switching staff to a new range of duties

Morrisflex, a small manufacturer of rotary tools and finishing machinery, has been gearing itself up for the VAT changes since April.

The company, which exports one-third of its £3m turnover, mostly to other European Community countries, is fortunate in having a full-time computer manager, says company secretary Jeremy Theaker.

Many companies of similar size – Morrisflex employs 75 people – would not have a computer specialist and so would have to employ outside consultants.

Morrisflex's computer manager is currently working on creating a database for the information the company will now have to collect, though it expects it will also have to do additional manual data collection.

Morrisflex recently wrote to its 100-plus European Community customers to ask them for their VAT numbers which will have to be included on all invoices from January.

Just over half have replied so far but there was a particularly poor response from Germany (which is issuing new VAT codes) and Italy. There was a good response from the Netherlands, says Theaker.

Morrisflex, based in Braunston, Northamptonshire, does not see much advantage from the switch to the new VAT system. It does not, for example, expect to benefit from the removal of border checks because it sends most of its consignments by parcel post. This means it does not normally experience customs delays or have to bear the cost of clearing agents.

Jeremy Theaker: gearing up

An accountant explains the details

On your marks for the great tax paperchase

John Arnold looks at how the changes will affect European and non-EC companies alike

The 1993 VAT changes will affect only the movement of goods between EC countries. The present rules and systems will remain for all imports and exports of goods from non-EC countries; services, except for those such as transport, freight handling and similar services, will not be affected.

Businesses exporting to or importing from both EC and non-EC countries will have to cope with at least two separate systems. A non-EC business, which owns goods located in the EC and sells across EC borders, will also be affected, even if it only acts as an invoicing company.

Until now, EC tax authorities have controlled the payment of VAT due by monitoring each shipment of imports. But with the removal of border controls, this will no longer be possible; instead, the controls, including the requirement for payment of import VAT, are being transferred to the premises of the importer and exporter.

A UK company importing goods from other EC countries will have to apply the reverse charge to the value of all its imports. This procedure (which already applies to many services) involves the company charging itself output tax and, at the same time, taking relief for the same amount of input tax – in other words, grossing up both sides of its VAT account.

For a business which can recover all VAT paid, there will be no cost with this procedure. But partly-exempt businesses, such as banks and other financial institutions, which cannot recover all their input VAT, will suffer the same VAT cost as if they had acquired the goods from a UK supplier.

A UK supplier exporting to another EC country will need to obtain the customer's VAT registration number (if the customer is registered for VAT) and quote it on the sales invoice. If it can be demonstrated that the goods have left the UK, the supplier will be entitled to zero-rate the transaction.

This procedure applies not only to "sales" in the conventional sense, but also to many other cross-border movements of goods, such as transfers between branches within the same legal entity.

If the customer is not registered for VAT, is a private individual, and the UK supplier arranges delivery or transport, then the supplier will charge UK VAT on exports up to an annual limit per country of Ecu 35,000 (about £24,500) or Ecu 100,000. Over that limit, the supplier will have to register for VAT in the customer's EC country and charge "local" VAT. EC countries are able to choose which limit to apply, and it appears currently that most will go for the higher.

If the non VAT-registered customer is a legal entity, for example a governmental organisation, then it will have to register locally if the level of its imported goods from other EC countries exceeds the local annual limit, which must be at least Ecu10,000. Once the customer has registered, the procedure will be the same as for any other VAT-registered customer; below that level the UK supplier will have to charge UK VAT.

There are also special export rules which principally apply to new cars, boats and small planes, and require the purchaser to account for VAT in the EC country of use.

As a further control, exporters will have to submit to Customs & Excise aggregated listings of all such zero-rated sales per customer and per country on a quarterly basis. Customs will exchange these listings with the tax authorities in other EC countries.

But that is not an end to the paperwork. Importers and exporters with annual intra-EC trade in excess of £135,000 a year will also have to provide detailed trade statistics on a monthly basis. Each item exported in the month must be aggregated according to the Customs Tariff commodity code and then a further 10 separate pieces of information supplied per code. The return is due within 10 working days from the end of the month.

This will be a particularly onerous requirement for businesses, many of which have hitherto relied on freight agents to compile and submit the documents. Freight agents can of course continue to be used, but the information will have to be aggregated, and this could cause problems where more than one agent is involved.

Many businesses will, for the first time, have to register and charge VAT in another EC country. In addition to the circumstances already described, this is most likely to occur where the business holds stock in other EC countries or is involved in "triangulation".

This occurs where the invoicing route does not follow the movement of the goods, for example where A sells to B who on-sells to C (who are all in different EC countries) but the goods are transported directly from A to C. Many multinational companies operate in this way.

The UK and some other EC countries are pressing for simplification measures in order to avoid a multiplicity of VAT registrations across the EC.

The UK and two other EC countries have provisionally introduced their own simplification measures, and are pressing for their adoption across the EC, but this is still under discussion.

Registration is a complex administrative and compliance burden, with additional costs arising from multi-currency and multi-rate VAT invoicing in another language. Tax representatives or fellow-subsidiaries may be used as agents, although local subsidiaries may not be able to cope with their current resources. Registration can also bring direct tax problems as well as considerable cash flow costs in countries such as Italy if the business is to be in a VAT repayment position.

There are, as always, penalties both in the UK and elsewhere for compliance failures. But the biggest risk for exporters is that if they fail to obtain and quote their customers' foreign VAT registration number and retain proof that the goods have left the UK, they will be liable for UK VAT at 17.5 per cent. Proof of export from the UK will not be easy where the customer arranges the transport. While Customs have suggested that a deposit for the UK VAT could be required from the customer, this may be difficult commercially.

The author is a tax partner with Coopers & Lybrand and chairman of their European VAT network.

BUSINESS LAW

Why lawyers should consider consultancy

By Richard Susskind

In the increasingly competitive legal marketplace, lawyers are seeking to extend the range of topics on which they feel qualified and competent to advise.

One natural development *will be the provision of consulting* services in fields of expertise in which competence has already been established within their own firm.

If a firm has invested heavily for internal purposes in areas such as information technology, marketing, human resources, training, recruitment and administration, it can recover that expenditure not only through the cost savings and enhanced performance that would normally be *expected, but also by selling on* that expertise.

The potential clients for these services are legal departments of companies, other professional service providers, public sector lawyers, legal advisers in Europe and elsewhere, and even other local law firms.

Increasingly, corporate clients in particular have been asking for a more proactive approach

This last eventuality is perhaps the most iconoclastic, in that it may seem wrongheaded to be helping one's competitors. However, the business benefits of advising potential competitors may outweigh the advantages of withholding such advice (given also that the advice will inevitably be obtained from other sources).

There is a second and more subtle way in which lawyers might move into consulting – through the provision of legal services proactively, using techniques and adopting a perspective that would normally be regarded as the province of management consultants.

Traditional lawyering is reactive, in the sense that clients come to their solicitors with their perceived legal problems and the lawyer then reacts to them. There are two well-known difficulties with this approach: first, by the *time the client perceives a* problem it may well be too late; and second, it is unlikely that clients will be able to perceive *all their legal problems.*

Increasingly, in recent years, corporate clients in particular have been asking for a more proactive approach.

In dispute-oriented work, the theme of proactivity is that of dispute pre-emption rather than dispute resolution; while, in transaction-based activities, lawyers will be retained not just to crystallise in legal terminology a deal already agreed on by the parties, but as advisers on all legal risk management.

Many lawyers will claim that they are already proactive. Most are not. Nor can they be until they change their working practices radically. Genuine proactivity goes beyond the *ad hoc* foresights of a bright lawyer. It requires the deployment of techniques (often based on information technology) *similar to the more structured* and formalised processes and procedure developed for other tasks by the first-rate consulting practices.

Not until these techniques are established and are being injected by lawyers into the hearts of organisations and at key points in the life cycles of all relevant projects can lawyering sensibly claim to be proactive.

Comprehensive (often automated) audits and health checks will be compiled to assist in surveying the general effectiveness and efficiency of *clients' legal affairs, looking at* matters such as exposure to liability, preparedness for litigation, soundness of document management practice, quality of standard form contracts, and the mechanisms in place for the identification of legal problems.

Additionally, these audits will assess whether clients comply with relevant regulations (for instance, EC directives).

Legal risk management methodologies will also become the order of the day, akin to those already used by consultants in risk assessment generally. These methodologies will stipulate, in advance, when *and what legal precautions and* measures should be adopted by clients to help them identify, manage and control potential *legal risks*; and the teachings of these methodologies will be integrated with wider corporate practice.

Clearly, a shift towards proactive legal consulting of this sort will require lawyers to reorientate themselves, using a more familiar analogy, from practitioners who cure diseases to those who administer a more preventative medicine. This demands that lawyers release themselves from the confines of considering the particular consequences of highly specific facts to functioning (as legal academics have always done) at a higher level of generality by considering the implications of a wide panoply of potential scenarios, *risks and opportunities.*

Whatever the future of consulting by lawyers, comparisons between the accounting and legal professions are inevitable, not just because the former has borne substantial management consulting practices but also in light of accountants' admirable record of recognising and exploiting commercial opportunities often only loosely related to their core business.

There are lessons here for lawyers. One is that the marriages of accounting and consulting practices have not *always been entirely happy* (in forms firms not least because consulting has not been profitable).

Although both accounting and consultancy services tend to be provided under the same corporate label, there are clear cultural differences between the groups that provide the two sets of services and cross-selling and collaboration opportunities are exploited far less frequently than might be expected. More vigilant human resource management by lawyers at the outset may ease such tensions.

Another lesson for lawyers relates to the accounting giants' ability to recognise *commercial opportunities and* to marshal formidable resource in quick exploitation, a capacity of which lawyers have been simultaneously distrustful and envious.

Taxation, trusts and insolvency work are the best documented illustrations or markets being taken from the legal profession on the strength of this entrepreneurial flair.

But the field of data protection offers a more powerful

Another lesson relates to the accounting giants' ability to recognise commercial opportunities

example: when in 1984 a piece of legislation was enacted governing the pervasive practice of processing personal information electronically, the majority of the legal profession awaited instructions from clients in the time-honoured reactive manner while the market was largely captured by the accounting and consultancy firms who met the real business needs of clients.

In a daunting barrage of professional proactivity in a field beyond their mainstream business, these accountancy firms provided consulting services in precisely the way that lawyers can and should today in many other areas of business.

The author is head of consulting at Masons, solicitors in London, and visiting professor to Strathclyde University's Centre for Law, Computers and Technology.

PEOPLE

Alexander squares the circle

Stephen Alexander – who revolutionised tea drinking habits through introducing the round tea bag – has been appointed managing director of *Lyons, the company's manufacturing* sector, at the youthful age of 36.

Alexander modestly denies having invented the round tea bag. He says he was "the guy lucky enough to have approved" the invention of the round, as opposed to square, tea bag, one of Allied-Lyons' most successful ventures of recent years. "Ian Prutton, the deputy marketing director and Bob Hodges, his managing director, at Lyons Tetley take the honour of inventing it," says Alexander.

The round tea bag was *launched by Tetley* in the south of the UK in mid-1989 and has been "a tremendous success", he says.

According to Alexander, "the tea market is a very conservative market place, where normally one was used to looking at market share movements of decimal points. Tetley round tea bags put on a full five points of market share, and the Tetley and the Quick Brew tea brands are now in effect only available in round form".

Alexander, a Cambridge University law graduate, joined Allied-Lyons in late 1982, starting out by running the export side of Lyons' tea business. He went on to run Lyons' ice-cream business and went *on to the board of* Lyons in March 1988.

He is appointed to the new position from November 2 and *will take over responsibility for* the food sector when David Beatty, Lyons' deputy chairman, retires at the end of February.

Another rung up the Wickes ladder

Bill McGrath, currently chairman of Wickes retail group, has succeeded Dick Clark as group managing director of the parent company.

Wickes, which operates a chain of highly successful DIY stores, was almost sunk last year following a disastrous diversification into the timber business but has since steadily *clawed its way back from the* brink.

McGrath can therefore expect an easier ride than his predecessor had; he will have more *time to spend developing* the company's core business in the UK and mainland Europe.

McGrath joined Wickes in 1987 following the acquisition of the Builders Mate business, where he was chief executive, and rapidly climbed the Wickes ladder overseeing the opening of its 100th store earlier this year.

Clark *will remain* with Wickes as a consultant helping to develop its operations in new European markets.

Insurance moves

■ Neil Utley, marketing and sales director, has been appointed deputy md and Paul Newton (above) finance director of HALIFAX INSURANCE.
■ *David Skey has* been appointed a director of the non-marine division of EW PAYNE.
■ Andrew Newman and David Glover have been appointed directors of RK CARVILL & Co Ltd.
■ Steve Burridge, Chris McGloin and Chris Tangmar have been promoted to directors of SEDGWICK JAMES (LONDON).
■ Jeffrey Thomas has been appointed senior *representative in Japan for* the ALEXANDER HOWDEN GROUP.
■ Peter Anscombe has been promoted to md of BAIN CLARKSON in Canterbury.
■ Raymond Liu, Margaret Nicol and Tracy Woods have been appointed directors of BERRY PALMER & LYLE.
■ Gordon Irish, secretary of *the Association of Deposit* Societies, has been elected chairman of the FRIENDLY SOCIETIES LIAISON COMMITTEE.
■ Nigel Christian has been appointed an executive *director and Simon Bishop* a director of BOWRING AVIATION.
■ Roger Charlesworth has been appointed marketing director of LEGAL & GENERAL VENTURES; he moves from Allied Provincial Securities.
■ Alan Keates has ben appointed md of systems and communications at BAIN CLARKSON Ltd; he moves from American Express.
■ Edward Rossdale has been *appointed group md and* Nigel Webb group administrative director of BYAS MOSLEY GROUP Ltd.
■ David Meldrum, general manager of GRE's financial services division, and Martin Lister (below), a director of GRE Asset Management, have been appointed to the board of *GUARDIAN ROYAL EXCHANGE UNIT* MANAGERS.

■ Nick Elliott, md of LWT Programmes, is appointed to *the board of* LWT (HOLDINGS) following the departure of Marcus Plantin to be ITV network director.
■ *Sandy Callander, sales and* marketing director, has been appointed to the main board of John Carr Group, part of the RUGBY GROUP.
■ Anne Marie Millar has been promoted to finance director for REGIONAL RAILWAYS; she succeeds David Rutherford who has moved to Railfreight Distribution.
■ Kevin Llewelyn-Evans, formerly head of corporate audit at Booker, has been appointed finance director, and Pedro Ibeas, formerly director of Zaragoza region, as operations director, at DIGSA, ASHLEY GROUP's Spanish supermarket business.
■ John Benson, formerly group director of human resources of Dowty, has been appointed director of human resources for PILKINGTON.
■ James Fulton, formerly president *of BTR Clarkson* Group, has been appointed ceo of Babcock Industries Inc USA, part of FKI.
■ John Ray has been promoted to operations director for T COWIE's motor division.

'Getting it done' at Albright & Wilson

The shake-up at Tenneco, the US conglomerate, following the appointment last May of Mike Walsh, its new chief executive, has worked its way down to Albright & Wilson, its UK chemicals subsidiary.

Dana Mead, 56, a three-sport all-state athlete, former West Point cadet, decorated Vietnam combat officer, PhD in political science at Massachusetts Institute of Technology, White House adviser, and former executive vice president and director at International Paper, has taken over as chairman of Albright & Wilson. He was appointed as Tenneco's president and chief operating officer in April.

"He's a get-it-done guy," says Walsh.

He replaces Allen McInnes, a Tenneco executive vice president and board member, who resigned in July after 32 years with the company.

BUSINESS FOR SALE

BUSINESS FOR SALE

Alpha Omega (Engineering) Limited
(In Receivership)

Livingston, Scotland

This light engineering fabrication factory mainly provides services to the U.K. off-shore oil industry.

- Freehold premises
  Factory c. 19,250 sq. ft.
  Offices c. 5,700 sq. ft.
- Annual turnover c. £500,000
- CNC Plasma Cutting and Punching
- CAD Cam facility

For further details contact the Joint Receiver: Jonathan Birch, Grant Thornton, 1-4 Atholl Crescent, Edinburgh EN3 8LQ.
Tel: 031 229 9181. Fax: 031 229 4560.

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

DEVELOPMENT

HESTON
JUNCTION 3, M4

31.75 ACRES FREEHOLD FOR SALE
SERIOUS EXPRESSIONS OF INTEREST BY FRIDAY 20TH NOVEMBER 1992

Two Main Road Frontages
•
Adjoining Western International Market and Close to Proposed Tesco
•
Currently in the Metropolitan Green Belt
•
Strategic Land Opportunity with Development Potential
Ref. JB/CAP

Grimley J R Eve
071-895 1515
10 STRATTON STREET, LONDON W1X 5FD

CONSERVATORY MANUFACTURER FOR SALE

Substantial and established national conservatory manufacturer seeks buyer or major investor to develop excess capacity and assist diversification.
* Turnover £3M plus
* Assets £1M plus
* Modern freehold factory and offices
* M4 corridor
* Enormous potential for expansion

Box No A4537, Financial Times, One Southwark Bridge, London SE1 9HL

On instructions Joint Administrative Receivers, D A Howell & P R C Denham of Price Waterhouse

TY NEWYDD COUNTRY HOTEL
Nr. MERTHYR TYDFIL, MID GLAMORGAN

Immaculate 3-star neo-Georgian hotel on edge Brecon Beacons with fast access Bridgend, Cardiff and M4.
Recently extended with 25 en suite bedrooms, function suite (180), 2 restaurants, 2 bars, conference facilities, pretty gardens and grounds.
Producing net turnover £400,000
OFFERS INVITED
FREEHOLD COMPLETE

On instructions Joint Administrative Receivers, D Swaden & C Macmillan of Leonard Curtis

THE CARTWRIGHT ARMS HOTEL
AYNHO, BANBURY, OXON

Charming fully licensed residential inn. Pretty garden setting, easy access Banbury, Bicester and M40.
7 newly created en suite bedrooms, 2 bars, restaurant (70), party room, owners' suite, outbuildings, car park.
Net turnover (excluding letting income) £371,112 (Y/E 30.4.92)
OFFERS AROUND £375,000
FREEHOLD COMPLETE

ROBERT BARRY & CO.
Tel: Cirencester (0285) 641642

CHASE NON-FERROUS METAL COMPANY LIMITED
WHITBURN ENGINEERING COMPANY LIMITED

The business and assets of these established companies, specialising in non-ferrous die-casting are offered for sale.

* Fully equipped leasehold premises in Enfield, Middlesex
* Substantial order book
* Turnover of £616,000 in 1991

Details form the Administrative Receiver, R.J.H. Knight, St George House, Station Approach, Cheam, Surrey, SM2 7AT
Tel: 081 643 6300 Fax: 081 642 7940

COOPER·PAUL
CHARTERED ACCOUNTANTS

Autorised by the ICAEW to carry on investment business

18-Hole Golf Course / Conference Centre for Sale
near Frankfurt / Main, Germany

A purchaser is sought for the construction of an 18-hole golf course, with 9-hole pitch and putt, driving range, and clubhouse. A conference centre with overnight accommodation may be incorporated.

Planning consent has already been granted for this pleasant location, in level countryside, extending to 100 hectares (247 acres). Profit projections and design studies are available for the whole project.

NIC Interconsult (Deutschland) GmbH
Business & Property Consultants
Praunheimer Landstr 70-6000 Frankfurt 90
Tel: 010 49 69 769 061 Fax: 010 49 69 769 813

METAL FABRICATED CONSUMER DURABLES

Company manufactures a unique range of branded, metal fabricated consumer products sold via multiple retailers, mail order & export. Modern, well equipped factory (could easily relocate). International marketing deal in place for Award winning product, will produce T/O of £2m. Gross £600k. Company would benefit from additional management & financial resources of larger organisation. Genuine opportunity. Write to Box A4512, Financial Times, One Southwark Bridge, London SE1 9HL

CARIBBEAN BASED STEAMSHIP/INSURANCE AGENCY, CARGO/NAUTICAL SURVEYORS

and subsidiary engaged in Ship/Industrial repairs with excellent potential for expansion in lucrative tax location seeks merger with MARITIME/INDUSTRIAL group.

Principals only write to Box A4325, Financial Times, One Southwark Bridge, London SE1 9HL

HAIRDRESSERS Established 30 years. Busy Thames-side Berkshire town. High Street position. Fully staffed. Good lease. *Retirement sale. £70,000.* Write to Box No. A4426, Financial Times, One Southwark Bridge, London SE1 9HL

RECEIVERSHIPS/LIQUIDATIONS. PINK PAGES – New weekly guide to every insolvent co. Direct contact *with Liquidators/Receivers.* Fully indexed according to company type. Free sample copy (0273) 674962.

NEVILLE RUSSELL
Chartered Accountants

Re: Halcote Electronics Ltd. Bedford

FOURTH PARTY

ELECTRONIC REPAIRERS

- ☐ BS 5750 registered firm
- ☐ Established UK & European Market
- ☐ Blue Chip customer listing
- ☐ Highly skilled technical staff
- ☐ T/O £835K 1991

BUSINESS & ASSETS FOR SALE
Contact Ref: PJF/IKS

EDWARD SYMMONS & PARTNERS
2 Southwark Street, London Bridge, London SE1 1RQ
Fax: 071-407 6423
LONDON · MANCHESTER · LIVERPOOL · BRISTOL · SOUTHAMPTON

Tel: 071-407 8454

PLUMBING AND HEATING MERCHANT

Supplying an established base of customer in the South Wales region. Turnover £2.5m GP 19%

Write to Box A4440, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Paper and Board
International Merchants (Agents)
Well-known Swiss stock-corporation, won capital stock, good reputation, well-known in Europe etc. wants.

SUCCESSOR/CHAIRMAN

Interested gentlemen/companies please write to
Box A610, Financial Times, One Southwark Bridge; London SE1 9HL

UK HOLDING COMPANY HAS FOR SALE
REGISTERED FRENCH COMPANY (S.A.R.L.) BASED IN ANTIBES

Specialises in Villa/Motor Yacht Rental
Crew Recruitment/Crew Uniforms
Easy to run with Harbour Side office. Always Profitable
An ideal base in the South of France with up to 150 villas available for a UK self-drive programme
Box No A4535, Financial Times, One Southwark Bridge, London SE1 9HL
Genuine enquiries only please

PROFITABLE LEASING CO

Holding Co wishes to dispose of small non-core leasing subsidiary. Back to back vehicle leasing to corporate clients, no contract hire/maintenance, no bad debts, no exposure to residual values. Profitable, generating cash, favourable tax situation. Write to Lab-Craft Ltd, Bilton Road, Waterhouse Lane, Chelmsford, Essex CM21 2UP, quoting ref. FT.

FOR SALE

* Publishing company producing directories in the growth sector of care for the elderly. Direct distribution to health outlets. Prepared for 1993 Community Care Act.
* Turnover £350k plus.

Details: Box H9445, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Chilled food company located near to London with excellent premises conforming to best modern hygiene standards. Would suit existing manufacturer looking for higher quality premises and for more turnover. Please reply to Box A4428, Financial Times, One Southwark Bridge, London SE1 9HL.

ENVELOPES

Specialist Business in The South East
T/O Approx 1/2 Million £'s
Very Profitable
Owner Wishes to Retire
Principals Only
Write to Box A4547, Financial Times, One Southwark Bridge, London SE1 9HL.

West Germany Manufacturer of Protective Clothes

Turnover DM 15m, profitable.
The owner offers for sale the assets and the business of the company
Contact Fax: +44 71 794 6275

West Germany Furniture Manufacturer

Turnover DM100m, profitable.
The owners offer for sale the business and assets of this modern, expansive company.
Contact Fax: +44 71 794 6275

West Germany Furniture Fittings Manufacturer

Turnover DM20m, profitable.
The owner offers for sale the business and assets.
Contact Fax: +44 71 794 6275

West Germany Private German Bank

with all licences – The owner offers for sale this established old bank with blue chip clients.
Contact Fax: +44 71 794 6275

KITCHENS
BEDROOMS BATHROOMS

BUYERS SOUGHT for wide variety of retailers, distributors & manufacturers in fitted furniture industry
PHONE ADRIAN PLANT
0438 840772
LINSEY BISSELL ASSOCIATES

PUBLISHING COMPANY

Small but profitable publishing company with highly respected trade title. T/O approx £1 million. Low overheads, established 11 years. For further information please write to Box H9445, Financial Times, One Southwark Bridge, London SE1 9HL.

US EXECUTIVE SEARCH FIRM FOR SALE

Specializing in marketing, marketing research & advertising; 12 year profitable track record; trademarked name; database of corporations, research suppliers & *advertising agencies. Contact* MARKETSEARCH, INC., 216 N. Green Bay Rd., Ste. 111, Thiensville, WI 53092 USA. FAX: (414) 242-7945.

FASHION HOUSE

Aldeburgh, Suffolk Heritage Coast. Retirement sale. High class, old established shop. T/o £350K, N.P. £53K. 1200 sq. ft. plus unused cottage.
F/hold £180,000.
Lakey & Co (0394) 273371.

WEST GERMANY Paint and Varnish and Carpet Retailer.

Turnover DM 30m, profitable.
The owner offers for sale the business and assets of the company
Contact: Fax +44 71 794 6275

WEST GERMANY Confectionery Company

Turnover DM 30m, profitable.
The owner offers for sale the business and assets of the company.
Contact: Fax +44 71 794 6275

CONTRACT MANPOWER *BUSINESS*

Scottish Computer and Oil Related Engineering Recruitment Business.
T/O £1.3 Million. GP 17%.
Est 1985. O/O £170K.
Box No. A4531, Financial Times, One Southwark Bridge, London SE1 9HL.

HOME-BASED c. £16,000 S E England. Au pair placement agency. Ideal home/small office. No languages or selling. Post/telephone only. Principals only. Write to Box A4528, Financial Times, One Southwark Bridge, London SE1 9HL.

OFFICE EQUIPMENT

The London Computer Auction Rooms Ltd
392 Finchley Rd, London, NW2 2HR
Tel: 071 794 1116 Fax 071 794 1889

COMPUTER AUCTION

SUNDAY 18th October at:
The Middlesex University White Hart Lane LONDON N17
over 1500 lots including: new 386 notebook & 486 desktop VGA systems. PostScript & other laser printers Late version software. Faxes, copiers & other business equipment, etc.

Sale starts 11:00 am, view from 8:30 am

Phone for a free catalogue

SEMINARS

FRANCHISE WORLD

How to Franchise Your Business Seminar for potential franchisors
London, November 4, 1992
Sponsored by Stoy Hayward and Franchise World magazine
Brochure from 081-767 1371
• New 1993 Franchise Directory, £28.50

BUSINESSES FOR SALE

Appear in the Financial Times on Tuesdays, Fridays and Saturdays.
For further information or to advertise in this section please contact
Melanie Miles on 071 873 3308

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

BUSINESS WANTED

BUSINESS WANTED

COMPUTER TRAINING

A subsidiary of an expanding listed group seeks to acquire for cash, quality UK businesses with:

- a bias towards MS DOS and particularly Unix
- their own course material and ideally a training facility
- an established customer base and preferably an accredited status
- a management team looking to grow the business as an autonomous division
- a turnover between £1 million and £5 million and preferably profitable

Vendors and their advisers should telephone either Tim Lyle or Anne Jordan on 071-388 4242 in absolute confidence. Your identity will not be revealed to our client without your permission.

Livingstone Fisher plc
Acre House, 11-15 William Road, London NW1 3ER
LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of FIMBRA

BUSINESS WANTED

Energy Management Companies

Our client, an expanding listed group, seeks to grow by acquiring an energy management company which:

- may be involved in some of the following: design, energy surveys, target setting and monitoring, tariff analysis, negotiations with utilities, operation and maintenance and CHP systems
- has minimum turnover of £2 million
- must be trading profitably
- regards continuity of management as essential

Vendors and their advisers should telephone either Marcus Moir or Ian Smith on 071-388 4242 in absolute confidence. Your identity will not be revealed to our client without your permission.

Livingstone Fisher plc
Acre House, 11-15 William Road, London NW1 3ER
LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of FIMBRA

Interior Design & Build Business Required

Our client company is seeking to acquire a business engaged in the design and fitting out of office interiors. Location anywhere in the UK; Minimum turnover £5m.

Interested parties should reply to: Guy Warrington, Mergers & Acquisitions Dept., KPMG Peat Marwick, PO Box 486, 1 Puddle Dock, Blackfriars, London EC4V 3PD. Tel: 071 236 8000.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

KPMG Corporate Finance

BUSINESSES WANTED

We are looking to invest a significant '£ six figure sum' for an ongoing company where our overcapacity in administration/financial control (Central London) could be of use.
Discretion guaranteed. Principals only please.

Box No A4538, Financial Times, One Southwark Bridge, London SE1 9HL

Contact sought with businesses seeking development capital on outright sale.
Call (0792) 474111.
Fax (0792) 474112.
P.F.M.
Mergers, Acquisitions, Private Equity Funding.

BUSINESS OWNERS!

You want to sell but you don't believe you can or quickly and without disruption or losing value. I did, and now want back in. Any field considered.

Fax: 0582 504736

TECHNOLOGY LICENCING

and exploitation company wishes to expand by: – acquiring a related business – providing low cost management of existing licence portfolios – acquiring non-core projects.
Telephone or fax. 0494 531121

WANTED SMALL PUBLISHING COMPANY

or majority holding in same.
£0.3M available.
Fax: 081 906 1704

BUSINESS WANTED
SPECIALIST SPORTS AND LEISURE

We are a specialist sports and leisure group. We are looking to acquire companies with complimentary product and/or direct marketing skills. If you are looking to develop your business please write in strict confidence to Box A4518, Financial Times, One Southwark Bridge, London SE1 9HL.

AIRCRAFT FOR SALE

HUNTING Aviation Services

CURRENT AVAILABILITY

CORPORATE AIRCRAFT SALES, PURCHASE AND CHARTER

CORPORATE JETS:	Gulfstream II
	Gulfstream III & IV
	Citation S2
	125-800
CORPORATE TPROPS:	C425 Conquest
	C406 Caravan II
FOCKKER:	F27-400 (Cargo Door)
	F50
Piston Twins:	C414A

CONTACT
Neil Harrison
Tel: 081-897-6446
Fax: 081-759-4688
Telex: 23734 HGAV G.

CONTRACTS & TENDERS

The Gambia Oilseeds Processing and Marketing Company Limited

Investment opportunity in a Gambian firm featuring an integrated system of river depots, river transport, oilseed processing plants, and power generating capabilities.

- Completely rehabilitated industrial facilities capable of processing a range of oilseeds
- Sole industrial processor of oilseeds in The Gambia with access to local, regional, and international markets
- Considerable growth opportunities with an established supply and distribution network
- Stable government and successful market-oriented economy

Offers must be submitted by December 15, 1992. For further information contact:

Mara Fellouris
Price Waterhouse
1801 K St., N.W.
Washington, DC 20006 USA
Tel: (202) 778-1756
Fax: (202) 467-4405

Abdoulie M. Touray, Chairman
Independence Drive
National Investment Board
Banjul, The Gambia
Tel.: (220) 28 332
Fax: (220) 29 220

Price Waterhouse

This advertisement has been approved by Price Waterhouse, a firm authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

IN THE NAME OF GOD
SUGAR CANE & BY-PRODUCTS DEVELOPMENT CORPORATION
NOTICE FOR EXTENSION OF CLOSING DATE FOR PURCHASE OF TENDER DOCUMENTS NO: 71/5/8.KH

This is to notify those interested to participate in our Tender No: 71/5/8.KH regarding the purchase of two similar pulp and paper mills each having a capacity of 177,000 tons of writing and printing paper, that the closing date for purchase of the above mentioned tender documents has been changed from October 8, 1992 to October 22, 1992.

Sugar Cane and By-Products Development Co.

MANAGEMENT COURSES

Recognised as one of the world's finest short strategic management programmes, the 3-week MBS intensive Senior Executive Course is a well established part of the management development policy of many national and global organisations. This course provides the specialist training that all recent appointees to senior positions require. It covers the topics of strategic management, organisational behaviour, finance, marketing, international business management together with the advanced study of the business environment.

THE essential programme FOR ALL NEW SENIOR EXECUTIVES

Courses will be held on 17 January - 6 February 1993 and 2 - 22 May 1993.

For bookings or further information complete and post the coupon below to: Pam Ogden, Management Centre, Manchester Business School, Booth Street West, Manchester M15 6PB. Telephone 061 275 6396 or Fax 061 275 6582 for immediate information quoting ref. no. FT SEC 1

Please send me further information on the Senior Executive Course.

NAME
POSITION
COMPANY
ADDRESS
POST CODE ______ PHONE ______

FT/SEC/1

MANCHESTER BUSINESS SCHOOL

LEGAL NOTICES

NOTICE OF CREDITORS' MEETING
Registered No 2342274 Registered in England
SENIORTEAM LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at the Park Hotel, Park Place, Cardiff on Wednesday 21 October 1992 at 11.00 am for the purposes mentioned in Section 48 et seq of the said Act, viz: (i) to have laid before it the administrative receivers report on the administration of the receivership; (ii) if thought fit, to establish a creditors committee. Creditors wishing to vote at the meeting must lodge their proofs of debt and (unless they are attending in person) proxies at the offices of Cork Gully, Churchill House, Churchill Way, Cardiff no later than 12 noon on Tuesday 20 October 1992. Proofs of debt may be lodged by submitting a written statement of claim clearly setting out the name and address of the creditor and the amount claimed. Unless they surrender their security, secured creditors must give particulars of their security and its value if they wish to vote at the meeting.
DATED this 7 day of October 1992
J P Considine
Joint Administrative Receiver

NOTICE OF MEETING OF CREDITORS
CHEQUERS EUROPE LIMITED
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, a meeting of the unsecured creditors of the above named company will be held at Robson Rhodes, Centre City Tower, 7 Hill Street, Birmingham B5 4UU on the 27th day of October 1992 at 11.00am for the purpose of having a report on the position of the company's affairs laid before them. A person is entitled to vote only if (a) he has given to the Joint Administrative Receivers, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of the debt that he claims to be due to him from the company, and the claim he has made has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and (b) there has been lodged with the Joint Administrative Receivers at Robson Rhodes, Centre City Tower, 7 Hill Street, Birmingham B5 4UU any proxy which the creditor intends to be used on his behalf. NOTICE IS ALSO GIVEN that, creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.
Dated this 7th day of October 1992
J K R Jones & V M Bairstow
Joint Administrative Receivers

COMPANY NOTICE

BRADFORD & BINGLEY
BUILDING SOCIETY

£150,000,000
Floating Rate Notes Due 1997

In accordance with the terms and conditions of the Notes, the interest rate for the period 12th October, 1992 to 12th January, 1993 has been fixed at 8.81959% per annum. The interest payable on 12th January, 1993 against Coupon 8 will be £222.30 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

NATIONAL NEWSPAPER NOTICE
Company No 84098
Hayward Tyler Limited
Notice pursuant to Section 175 of the Companies Act 1985.
Notice is hereby given that:

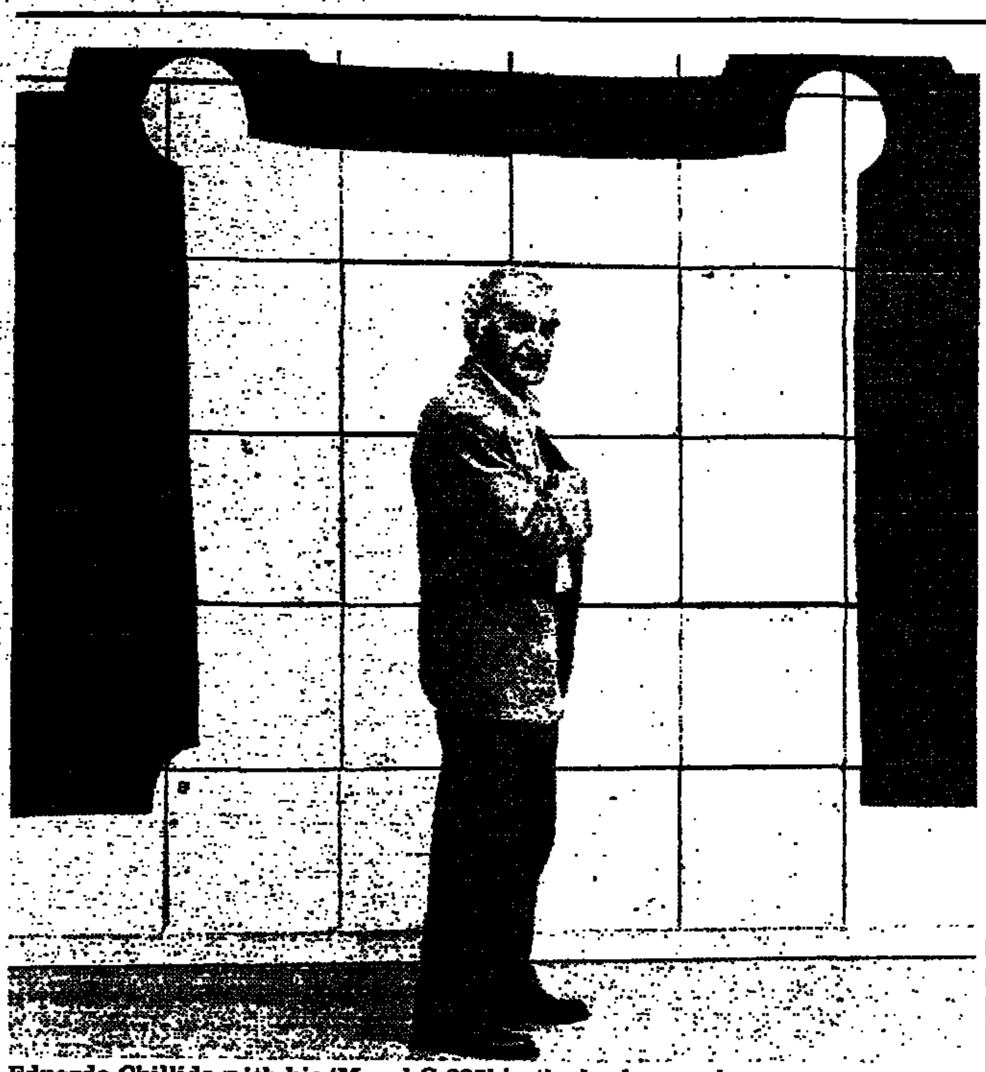
A. A Special Resolution of the above named Company was duly passed on 7/10/92 whereunder a payment of £5,050,000 out of the Company's capital (as defined in Sections 170,171 and 172 of the Companies Act 1985) in respect of the purchase by the Company from Sterling Fluid Systems BV of 5,050,000 ordinary shares of £1 each under Section 162 of the Companies Act 1985 be authorised.
B. The amount of the permissible capital as defined in Sections 171 and 172 of the Companies Act was £5,050,000.
C. A Statutory Declaration and auditors report required by Section 173 of the Companies Act 1985 both of which are dated 22/9/92 are available for inspection at the registered office of the Company at 1, Kimpton Road, Luton, Bedfordshire.
D. Any creditor of the Company may apply to the High Court under Section 176 of the Companies Act 1985 within the period of five weeks immediately following 9/10/92 for an order prohibiting the payment.

DATE: 12/10/92
SIGNED BY: Penningtons (as Solicitors on behalf of Hayward Tyler Limited)

Notice of Appointment of Administrative Receivers
SEWARDS (ELECTRICAL) LIMITED
Registered number: 854978. Trading Name: Sewards. Nature of Business: Radio & Electrical Goods Shops. Trade Classification: 21. Date of appointment of Administrative Receiver: 5 October 1992. Name of person appointing the Administrative receivers: Lloyds Bank PLC. Joint Administrative Receivers: J M Iredale & N J Vooght (office holder numbers 2104 & 6339). Address: 9 Greyfriars Road, Reading, Berkshire RG1 1JG

ART GALLERIES

MARLBOROUGH FINE ART LTD
MARLBOROUGH GRAPHICS LTD
6 Albemarle Street, London W1.
Victor Pasmore - New Works.
Until 24 October 1992.
Mon-Fri 10am-5.30pm
Sat 10am- 12.30pm.
Tel. 071-629 5161.



Eduardo Chillida with his 'Mural G-235' in the background

Imaginative implication of the monumental

William Packer discusses the sculptors Eduardo Chillida and Igor Mitoraj

The Catalan sculptor, Eduardo Chillida, is now at 68 firmly established as one of the great artists of the post-war period, widely and regularly exhibited on the continent and in the US over four decades. Yet in Britain one would hardly know it, until the autumn of 1990, when the South Bank Board made magnificent amends in giving him a full-dress retrospective at the Hayward. Yet even then an exhibition as physically beautiful and impressive in its installation was shamefully neglected critically and under-visited. Any Chillida show is therefore still a major and remarkable event, and this at Annely Juda, only the fourth in London in his long career, all the more to be welcomed.

This present show of recent work is entirely in the character of the whole oeuvre. It includes nothing on a truly monumental scale, yet the free-standing pieces are weighty enough, and even the tiniest of the maquettes, or the most delicate of the paper reliefs, carry all the imaginative implication of the monumental. And it is all extremely beautiful.

He is a carver and a modeller, never the assembler or collagist, even though much of his material may only be cut or bent by the heaviest industrial equipment. The sense is always of the object made directly under the artist's own hand. The imagery is nominally abstract and unspecific, referring to nothing outside itself, yet the carvings offer spaces to enter and inhabit in the imagination, the metal arms and fingers writhe and twist, inviting a real embrace. Human in scale, directly active and physical in their engagement, humane in all their connotations and suggestions, these things tell us that nothing that touches our experience can be truly abstract.

Does this reach to the nub of the problem? To be accepted as the thoroughly modern artist in official eyes, must one stand back from the material and the making of the work and any intuitive development in favour of a coldly cerebral, theoretical engagement? But Chillida has ever been his own man, a thoroughly modern artist yet sublimely indifferent to the supposed imperatives, the ever-changing orthodoxies of avant-garde and critical fashion. Such is his strength, which is why he is so good and, in the longer term, will surely be seen to be so significant an artist of our time.

Igor Mitoraj, the younger artist by 20 years, was born in Germany during the war and brought up in Poland. He now divides his time between Paris and his studio at Pietrasanta, near the marble quarries of Carrara. He too is a carver and a modeller, and his work, currently on show at the Yorkshire Sculpture Park and three London galleries, is nothing if not figurative. He derives his imagery from classical example and is particularly intrigued by the isolated and portentous, often massive fragment – the foot of some vanished colossus or perhaps the mask, the "shattered visage" of old Ozymandias, with its "frown, and wrinkled lip, and sneer of cold command". A head is draped and bound into anonymity: a group of heads, broken and split, gaze calmly out upon the world; a headless torso in its breastplate rises monumental on its high plinth; androgynous angels stand quietly together; a high-stepping centaur, a head peering from its belly, strides out across the hillside.

This is neo-classicism revived not as principle but as romantic day-dream that frequently comes perilously close to kitsch indulgence and sentimentality. Mitoraj is no Canova, and the marble carvings especially have much of the quality of Victorian funerary statuary, more worthily competent that convincing. And yet there remains a certain imaginative potency that, in the more successful pieces, is very strong.

There is much in all four shows for an English sensibility to resist, the slickness the overall air of cultural chic. But the prejudice should be resisted, for it is unfair. As a modeller, in the terracottas and the cast bronzes, Mitoraj shows himself to the greater advantage, especially so in the more intimate pieces. The touch is sure and lively, the observation acute, the realisation, for all the symbolic adaptation, distortion and fragmentation, close to the physical reality presence of the human model. It would seem that in this newest work, despite all *the success of public commissions* on the largest scale, Mitoraj is still growing rapidly as an artist and moving in unexpected directions. These several shows make us look forward to whatever comes next.

Eduardo Chillida: Annely Juda Fine Art, 23 Dering Street W1, until November 14; Igor Mitoraj: Yorkshire Sculpture Park, West Bretton, West Yorkshire, until spring 1993; supported by The Henry Moore Foundation, Visiting Arts & the European Arts Festival; also at the Academia Italiana, 24 Rutland Gate SW7, until November, supported by the Arts Council of Great Britain; the Berkeley Square Gallery, 23a Bruton Street W1, until October 14; the Economist Plaza, St James's SW1, until December.

Nureyev's 'Bayadère' just hints at riches

Clement Crisp attends the opening performance of the Paris ballet season

The ballet season began at the Paris Opéra on Thursday night with Rudolf Nureyev's production of Petipa's Indian spectacular, *La Bayadère*. This has been a long-cherished project for Nureyev, but in view of his ill-health the staging can best be considered a sketch of what he might have achieved under happier circumstances. With sets by Ezio Frigerio and costumes by Franca Squarciapino, it looks opulent enough to have emptied a Rajah's treasury down to the last emerald. In interpretation, though, it only hints at riches: the Opéra dancers don't yet know how to wear these jewels of dance and drama.

When Nureyev first mounted part of *Bayadère* in the West he put on the "Shades" scene for the Royal Ballet in 1963 – he was giving us the best of the work. The rest had been much edited and revised in Leningrad, with a massive cut in 1919 when post-Revolutionary stringencies lopped off the last act so that the story lost its denouement. Six subsequent producers laid hands on the text: what we see today at the Kirov Theatre is far from Petipa's original. It is nonetheless sustained, given credibility, by weight of performance tradition and the immense dignity of the Kirov dancers' style. We believe, because their every action speaks of belief.

For Paris, Nureyev has reproduced the Kirov version, with the assistance of the distinguished Petersburg ballerina Ninel Kurgapkina. He had intended, I believe, to provide his own recension of the lost fourth act – as did Natalya Makarova in her "complete" staging which we know with the Royal Ballet and with American Ballet Theatre – but circumstances precluded this. There are, otherwise, only a few small additions owed to Nureyev; the Minkus score (replete with those traditional Hindu waltzes) has been lightly cleaned by John Lanchbery, and is admirably played under Vello Pahn's baton.

When he became director of the Opéra Ballet in 1983, Nureyev put on *Raymonda* as his first production, and inculcated in his casts a sense of the harmonies of Petipa style which gave a commendable seriousness to the ensemble. This quality was too little apparent in the new *Bayadère*. Save for Elisabeth Platel's Gamzatti and Laurent Hilaire's Solor, interpretation was light-weight, self-centred. Visual extravagance seemed to underline a lack of faith in the text, as if luxury would impress where performance failed, and gorgeous trappings disguise a dramatic void. Frigerio has provided grand and somewhat claustrophobic settings for the Rajah's palace, and an oppressive facade for the temple in the crucial first scene. (Pier-Luigi Samaritani's painted back-cloths for Makarova's staging are to be preferred. E They show the locales specified in Petipa's original libretto, and echo the production strategies of the Kirov version – whose ravishing scenery dates from 1900). The jungle vista in which Frigerio places the Shades is, however, most poetic; and Solor has a splendid property elephant – as in Petersburg – for his entrance in Act 2.

Franca Squarciapino has plundered the east for fabrics, and for decorative ideas – the priests wear what look like small golden Burmese temples on their heads. Silk and sequins, gold thread and pungent Indian dyes, gleam and blaze; fantasy rather than historical probability is the key. Thus accoutred, the Opéra dancers turn drama into a dress parade. Wearing tinsel and glitter, they propose tinsel and glitter in playing. A Russian Nikiya, emerging from the temple for the first time, carries her fate and the whole action of the ballet with her, as we known from Makarova and Asylmuratova. It is this vital sense of purpose that must now be given to the Opéra casts as they start to explore *La Bayadère*. On Thursday the soloists in the *Grand Pas* and in the Shades scene offered vivacity instead of harmony; the Chief Brahmin was petulance incarnate; the Rajah had the nobility of a used-car salesman involved in a dodgy deal. Of course, in physical expertise and elegance of manner the Opéra dancers are magnificent; their redoubtable skills, though, seem hardly to impinge upon *La Bayadère*.

The Nikiya was Isabelle Guérin. Her reading was conscientious, but the heart of the role was untouched. (I wish she could see the spiritual fervour that fires Asylmuratova's playing.) Even her superbly easy account of the Shades scene was oddly unmoving, poetry lost amid flawless pirouettes. Happily, Elisabeth Platel has the physical and emotional assurance that bring Gamzatti to life. Whether glaring balefully at the end of the first act as she meditates vengeance on Nikiya – curtain-fall frozen by her basilisk gaze – or showing a radiant assurance in the *Grand Pas*, she is mistress of the role. Laurent Hilaire is a fine Solor, bold in presence as in dance, and with a refinement of manner that compels our belief in this warrior hero.

Since his earliest appearances in the West, the power of ballet's traditions has ever concerned Nureyev. In *La Bayadère*, as in his other classic stagings, he asserts the continuing potency of the old repertory and of the academic style. In this last gift to the Opéra, he reaffirms his concern: his dancers have yet to comprehend the grandeur of the example he has given them.

La Bayadère continues in performance at the Palais Garnier, Paris, until the end of October.

Elisabeth Platel: she has the physical and emotional assurance to bring the role of Gamzatti to life

Concerts/Max Loppert

Latin-American fiesta

Columbus's arrival in the New World 500 years ago may not have been a cause of unequivocal celebration in the world outside, but in the world of music it provided the excuse for the presentation of New World-related compositions in big, enjoyable splashes. On Sunday – Columbus Day itself – Radio 3 devoted 14 hours of its schedule to a continuous stretch of live concerts from around the world; the chamber group Lontano, on air from London from two to three in the afternoon, made their contribution (of music by Villa-Lobos, Revueltas, Chavez and Roldan) the climax of a four-concert series entitled "A Fiesta of Latin-American Music".

The theme of this series, devised by the Lontano conductor Odaline de la Martinez, was the exploration of the musical relationship between the European and American cultures – a theme loose enough to allow an easy mixture of styles, with brightness of colour and sharp rhythmic definition as common factors. On Tuesday at the ICA, in a programme featuring the American Betsy Schramm, the Argentinian Michael Rosas Cobian and the first two parts of Colin Matthews's impressive chamber epic *The Great Journey*, Lontano made a particular success of *Going with the Grain* (1991), for solo marimba and small ensemble, by the young English composer Martin Butler.

In common with Butler's *O Rio*, a highlight of the 1991 Albert Hall Proms series, this piece delights the ear through the sway of gentle syncopated rhythms – identifiably if not pin-down-ably Latin – and the parallel teasing-out of seductive colour-patterns. It is a kind of concerto for marimba (brilliantly played by Richard Benjafield) without the element of battle between soloist and accompaniment usually associated with the concerto form; and its exoticism is fully absorbed into the fabric of the invention, not facilely tacked on.

On Saturday at the Queen Elizabeth Hall, Lontano were joined by the London Chamber *Symphony for the third (1938)* of Villa-Lobos's *Bachianas Brasileiras* – the one with an elaborate solo piano part (played here by Gilberto de Matté) – in which jungle bird-song and neo-Baroque musical forms achieve a raucously appealing marriage.

The British premiere of *Algebra on Fire* (1991) by the Brazilian Alejandro Viñao attempted an analogous confrontation of modern technology (including a role for computer) and instrumental ensemble – of, as it were, European rational discourse and Latin irrational imagination. The experience, full of dramatic potential and dark, fiery textures, was hampered by the recourse to amplification, which rendered everything monochromatically loud.

Barbican triumphs for Rattle and Uchida

At the Barbican on Saturday, Simon Rattle and his City of Birmingham Symphony enjoyed another of their resounding triumphs. The *pièce de résistance* was Szymanowski's Violin Concerto no. 1, with Thomas Zehetmair as a superb soloist, but the other performances on offer were anything but mere fill-ups. In particular Bartók's Concerto for Orchestra, nowadays a familiar war-horse, galloped into newly vital life. Rattle had ensured maximum horsepower for it: *twelve* cellos, for example – which paid sonorous dividends in the crucial low-string recitatives. His own imaginative wrestling with Bartók's score secured prizes beyond the merely aural.

I should reckon Rattle's account of Mozart Symphony no. 39 as carrying roughly 2½ times the communicative power of Previn's performance with the LSO a week earlier. That was "respectful"; by contrast Rattle and the CBSO were lithe and constantly alert, every movement stamped with muscular character.

As for the Szymanowski concerto, Zehetmair and Rattle gave it the rapturous shove it deserves toward the permanent repertoire. Some years back, William Mann described it as the most sheerly *beautiful* music ever written. In a performance like this, it seems just about that: not only because Szymanowski's opulent orchestra is so exquisitely balanced against the soloist's exacerbated lyricism, but because the score is so cogently knit around its hyper-poignant harmonic nodes.

Zehetmair was cagey about those. With the recurring "motto" theme – a descending five-note phrase which takes a heart-stabbing upward wrench toward its sixth note – he played mock-innocent: no freighting of the final note, which he left the orchestra to colour. Otherwise he sang out with thrilling confidence, eloquent in the high ledger-lines and commanding in throaty, rough-bowed passages at the lower extreme, appealingly frail in *pianissimo* confessions.

Under Rattle the orchestra matched him, though in a bright-eyed, hard-edged focus that lost the ultimate degree of heady suggestiveness. We ought to be seduced, not rampantly overwhelmed. Yet Rattle remains our leading advocate of Szymanowski's cause – for he gives the music full value as *music*, and not just as a musical equivalent of nitrous oxide.

David Murray

The Barbican Hall remains an unfriendly place in which to hear pianists, diffuse and hard to focus, but Mitsuko Uchida's recital there on Sunday afternoon was an unqualified delight. There are few contemporary pianists whose encounters with untried works are so eagerly awaited as hers; every item she adds to her programmes becomes a voyage of discovery which carries its own invitation.

On this occasion the unknown territory was the expanses of Schubert's G major Sonata; Uchida's performance, complete with exposition repeat, was the focus of the second half of her recital. It was unfolded as a sequence of beautifully fashioned panels. The first movement, taken at a very broad moderato (though with nothing like the slowness of Richter's famous performance), emerged with perfect naturalness, the Andante stirred into fierce life for its central section, the minuet enclosed a trio of musical-box delicacy; each reprise of the final rondo offered a different perspective, a change of lighting and emphasis.

Immediately before the Schubert Uchida had played Webern's Variations Op.27, *gradually building the tension* until she could diffuse it all magically in the coda, and after it offered as an encore another perfectly chiselled miniature, the second of Schoenberg's Op. 19 set. The first half of the recital had been devoted to Beethoven and Schumann – the E minor Sonata Op 90, launched with tremendous élan and carried along in a series of bold imaginative sweeps, and *Carnaval*+ conceived, it appeared, as a single seamless span that scarcely paused for reflection. On this kind of form Uchida is the most irresistible Schumann player imaginable, every musical image burnished bright and laced through with the most intense threads of lyricism.

Andrew Clements

INTERNATIONAL ARTS GUIDE

■ BRUSSELS

Palais des Beaux Arts 20.00 Paul Daniel conducts Orchestra of the Monnaie in works by Ravel, Jonathan Harvey and Berlioz. Fri: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in works by Beethoven, Haydn and Schumann. Next Tues: Yehudi Menuhin directs Camerata Lysy (507 8200). Oct 27 in Monnaie: first night of new production of Un ballo in maschera (219 6341)

■ CHICAGO

OPERA
Tonight's performance in the Civic Opera House is the final one this season of Rossini's Otello. Tomorrow and Sat: The Bartered Bride with Barbara Daniels and Neil Rosenshein. Fri: Elektra with Eva Marton, and Leonie Rysanek. The Smetana and Strauss continue in repertory till the end of the month, when William Bolcom's McTeague receives its world premiere (332 2244)

CHICAGO SYMPHONY
Neeme Järvi conducts concerts in Orchestra Hall on Thurs, Fri, Sat and next Tues, featuring works by Martinu, Eller and Dvořák. Erich Leinsdorf conducts the following two weeks of concerts (435 6666)

■ LYON

Auditorium Maurice Ravel Tonight, Fri and Sun: Kent Nagano conducts Kiju Yoshida's Opéra de Lyon production of Madama Butterfly, with Michie Nakamaru and Richard Stilwell. Oct 22, 23, 24: Martha Argerich is piano soloist with Orchestre National de Lyon (7860 3713)

■ MUNICH

OPERA/BALLET
Tomorrow and Fri in Cuvilliés-Theater: staged *performances of Mozart's Apollo et Hyacinthus and Il sogno di* Scipione. Next week: choreographies by Uwe Scholz and Hans van Manen. Sat and next Wed in Prinzregententheater: concert performances of Verdi's Otello (221316)
CONCERTS
Herkulessaal der Residenz Eliso Virsaladze gives a piano recital tonight at 20.00 (983898). Sat: Handel's Messiah. Sun: Haydn's The Seasons. Mon: Pekinel Sisters. Oct 27: Andrei Gavrilov piano recital (299901)
Gasteig On Thurs and Fri, Lorin Maazel conducts Bavarian Radio Symphony Orchestra in works by Dukas, Prokofiev and Brahms (48098 614). Sat: Jiri Belohlavek conducts Czech Philharmonic Orchestra in works by Smetana, Dvořák and Franck (983898). Sun: Hellen Kwon, Hans Peter Blochwitz and Harry Peeters sing opera arias. Mon: Justus Frantz conducts Sinfonia Varsovia. Tues: Emerson Lake and Palmer. Oct 22: Dave Brubeck. Oct 23: Keith Jarrett. Oct 26: Manhattan Transfer. Oct 28: St Petersburg Philharmonic (299901)
THEATRE
The Kammerspiele repertory includes Ibsen's When We Dead Awaken, Shakespeare's Much Ado About Nothing and King Lear (23721 328). Deutsches Theater has the Maly Drama Theatre of St Petersburg in Gaudeamus (ends Sun), followed by the Broadway musical 42nd Street opening on Oct 23 (5144 360). The Residenztheater has Ibsen's Ghosts and Ariel Dorfman's Death and the Maiden (225754)

■ PARIS

DANCE
Rudolf Nureyev's new Opéra Ballet production of La Bayadère can be seen at Palais Garnier till Oct 31. This week's performances are tomorrow, Thurs and Sat (4017 3535). Roland Petit's Ballet National de Marseille is in residence at the Opéra Comique, daily till Oct 30 except Oct 19, 20, 25 and 26 (4286 8883). Oct 21-28 at Châtelet: William Forsythe's Frankfurt Ballet (4028 2840)
OPERA
Gwyneth Jones sings the title role in a revival of David Pountney's production of Elektra tonight and Fri at the Bastille. The production runs with cast changes till Jan 25. Tomorrow, Thurs and Sat: Honegger's Jeanne d'Arc au bûcher. Oct 30: Cecilia Bartoli recital (4001 1616). Tomorrow and Fri at Châtelet: Dmitri Hvorostovsky sings title role in final performances of Adolf Dresen's production of Evgeny Onegin, conducted by Semyon Bychkov (4028 2840)
CONCERTS
Châtelet Schumann cycle: Trio Fontenay plays piano trios tomorrow and Fri (at the Auditorium). Marek Janowski conducts the Orchestra and Chorus of Radio France in the oratorio Das Paradis und die Peri on Thurs. Jeffrey Tate conducts the Scenes from Faust on Oct 29. Other events: on Sat, Pierre Boulez conducts Ensemble InterContemporain. Sun: Modern Jazz Quartet. Next Mon: William Christie conducts Les Arts Florissants. Next Tues: Melos Quartet opens Beethoven quartet cycle (4028 2840)
Salle Pleyel Thurs: Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in works by Haydn, Beethoven and Schumann (4561 0630). Fri: Zdenek Kosler conducts the Orchestre National de France in works by Smetana, Martinu and Dvořák, with violin soloist Josef Suk (4230 1516). Sun morning at Salle Gaveau: Tabea Zimmermann, accompanied by Tzimon Barto, plays viola sonatas (4953 0507). Next Tues: Andras Schiff piano recital. Oct 23: Alfred Brendel (4561 0630)
THEATRE
Three French-Canadian Shakespeare productions directed by Robert Lepage can be seen at Centre Pompidou over the next two weeks: Macbeth on Thurs, Fri and Sat, followed next week by Coriolanus and The Tempest (4274 4219). Bob Wilson's Gertrude Stein theatre piece Doktor Faustus Lights the Lights opens on Thurs at Théâtre de Gennevilliers and runs daily till Oct 31 (4793 2630). A new production of The Lower Depths, Maxim Gorki's portrait of misfits and failures in Moscow's squalor, is showing daily except Mon at Mogador (4878 0404). Edward Bond's new play The Company of Men, runs till Oct 24 at Théâtre de la Ville (4274 2277).

■ WASHINGTON

KENNEDY CENTER
Jeremy Lowenthal gives a piano recital tomorrow evening in the Terrace Theater. Thurs: Guarneri String Quartet. Sat afternoon: piano recital by Gwendolyn Mok. Sat evening: the music of Benny Goodman. Sat evening in Concert Hall: Anne Sophie Mutter plays violin sonatas by Ravel, Schubert and Beethoven. Oct 21-25: Mark Morris Dance Group. Oct 24: James Galway. Oct 28-31 Washington Ballet. Nov 1: Itzhak Perlman. Nov. 4: Kirov Opera Orchestra (467 4600)
BALTIMORE SYMPHONY
Christopher Seaman conducts Brahms' German Requiem on Fri, Sat and Sun afternoon at Joseph Meyerhoff Symphony Hall. Oct 29, 30, 31: Zoltan Kocsis plays Bartók's Third Piano Concerto (410-783 8000)
JAZZ/CABARET
Blues Alley Jazz Supperclub This week: vocalist Karen Akers, daily from Thurs to Sun. Next week: guitarist Charlie Byrd (1073 Wisconsin Ave, in the alley, 337 4141)
Barns of Wolf Trap Thurs: Bill Frisell Band, modern jazz/rock guitar. Fri: Dirty Dozen Brass Band. Sat: John Eaton, music by Kern and Berlin. Sun: Barenberg, Douglas and Myer, acoustic bluegrass, jazz and classical. Music from 20.00 (703-218 6500)

■ ZURICH

Opernhaus Tomorrow: Der Rosenkavalier. Thurs, Sat and next Thurs: Semiramide. Fri: Die Zauberflöte. Sun: Il Pirata. Oct 24: first night of new production of Nutcracker (262 0909)
Tonhalle Frans Brüggen conducts Tonhalle Orchestra tomorrow in symphonies by Haydn and Beethoven. Thurs: Howard Griffiths conducts Zurich Chamber Orchestra in works by Schoeck, Mozart and Schubert. Next week: Walter Weller conducts four concerts featuring music by Beethoven and Mozart (261 1600)
Schauspielhaus Tonight's performance is Shakespeare's A Midsummer Night's Dream directed by Peter Wood. Dürrenmatt's The Physicists is revived on Sun. A new production of Botho Strauss' play Kalldewey Farce opens on Oct 31 (221 2283)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday October 13 1992

Lamont tries to clarify

"TRUST US," is what, in effect, the chancellor told the Treasury and Civil Select Committee yesterday. Trust us to bear down on inflation. Trust us to read the signs given by the monetary indicators. Trust us to exercise judgment wisely. But no British government can be trusted with the exercise of such complete discretion.

The chancellor of the exchequer has ruled out return to the exchange rate mechanism (ERM) until several conditions are met, the most important being that "the requirements of German monetary policy and those of the UK must come closer into line". Official German interest rates may soon fall further. British monetary policy has already eased. The chancellor could soon decide that the "requirements of German monetary policy and those of the UK" are closer in line.

Would he be right to do so? Probably not, with equal emphasis on the "probably" and the "not". ERM membership has not provided the best possible monetary regime for the UK. But it might well be better than the policy that the government will actually pursue. Nothing in Mr Lamont's discussion stilled worries on this score.

Mr Lamont stressed that monetary policy has to be judgmental. He is right. But the more judgmental the policy, the more necessary it is for the policymaking institutions to be both focused in their goals and open in their procedures. A chancellor of the exchequer working through the Treasury cannot meet these requirements.

The addition of a target for inflation of 1-4 per cent hardly helps. It is worth remembering, after all, that the former chancellor, Mr Nigel Lawson, whose policies ultimately led to inflation of more than 10 per cent, announced in 1986 that he intended to eliminate inflation in the next parliament.

The gap between long-term interest rates on conventional and index-linked bonds – now some 5¾ per cent – makes it clear that investors do not trust Mr Lamont's 4 per cent target, let alone the 2 per cent he has set as his longer-term aim. They must be right not to do so.

So many targets – that for a balanced budget or, more recently, for zero inflation – have come and then gone. The government felt unable to raise interest rates in the summer to defend the ERM parity, even though the UK's inflation performance was still mediocre by European standards. Then, following the abrupt exit from the ERM, the chancellor cut interest rates as soon as he decently – or indecently – could. Above all, investors know that Mr Lamont is subject to fierce pressures to declare victory over inflation too soon.

The only thing the government could plausibly do to increase its credibility is what it is apparently determined not to do: to tie its own hands. The government's determination to avoid making the formation of monetary policy more independent lowers its credibility, makes the cost of achieving low inflation higher and so, in turn, renders the target still less credible.

Whatever the rhetoric about a new, more open approach to policymaking, the UK is back to secretive choices, under day-to-day political pressures, among multifarious indicators, in the pursuit of imprecise goals. Existing institutional arrangements will not deliver the credible policymaking that the UK needs. It is time to shift to the kind of arrangements that might.

A bluff too far

IF THE dire warnings currently emanating from Paris are any guide, the future of the world trading system now hangs on the whims of a million Frenchmen. That is only a mild exaggeration of the absurd backdrop to this week's farm trade negotiations between the European Community and the US in Brussels.

The grounds clearly exist for a deal on agriculture which would unlock the Uruguay round of multilateral trade negotiations; if the talks fail, it will be due either to a failure of nerve by the EC or to the French government's fear of its farmers. For the sake of a world economy in which the prospect of a Gatt deal is a rare glimmer of light, they must be allowed to succeed.

Both the European Commission (anxious to demonstrate that the EC is not completely paralysed by its Maastricht problems) and President George Bush (desperate for a boost to his sagging political fortunes) perceive a narrow opportunity for a deal before the US presidential election on November 3. An agreement now on agriculture would in theory clear the decks for rapid progress on other outstanding Gatt issues early next year. Without one, the Uruguay round will – *de facto* if not *de jure* – be dead, and a rash of tit-for-tat trade wars will probably ensue.

Hence the shrill noises from France in recent days. President François Mitterrand knows that his European partners want these talks to succeed, if only because a weakened Mr Bush will be more accommodating than a President Clinton.

He is also in no doubt that a Gatt deal which includes a mandatory reduction in subsidised farm exports will enrage his farming community and make his Socialist government all the more certain of defeat in elections next March. His answer is to threaten to block whatever compromise is hammered out in Brussels.

Mr Mitterrand may be bluffing. Under the EC treaties, Community commercial policy is decided by a qualified majority vote. France can temporise in the hope that Germany will shy away from an intra-EC confrontation, but without German support, the only way France can stop this deal is by exercising a rarely used and legally questionable veto on grounds of vital national interest. It is hard to see how a group whose output accounts for such a tiny proportion of French GDP can plausibly be placed in that category.

For the EC to retain any credibility as a body capable of concerted action on trade, the Commission and its other 11 member states must call Mr Mitterrand's bluff – if necessary by presenting him with a *fait accompli*. If in so doing they trigger a French veto, at least it will be clear where the responsibility for failure lies.

VAT headache

WILL THE taxman spoil the celebrations when the single European market comes into being at midnight on December 31? It seems likely that complex new value added tax (VAT) rules for intra-European Community trade will leave thousands of businesses around Europe with a corporate headache.

The problem arises because the abolition of customs checks at borders has brought about changes to the VAT rules and to procedures for collecting trade statistics. Companies will take over responsibility for administering VAT and gathering trade data.

Not only are the details of the changes highly complex, they are also being rushed through in a very tight timescale. The implications may not have been fully thought through and businesses have very little time to adjust.

The new rules are an uncomfortable compromise between the present "destination" system, which taxes goods at the import stage, and a fully fledged "origin" arrangement, which taxes goods when they leave the factory gate, to be introduced in 1997.

The transitional system was needed because EC governments could not agree on a closer harmonisation of VAT rates (the UK, for example, might have had to drop zero-rating for children's clothes and many food items). There were also doubts about the ability of some governments to operate the clearing house for VAT payments which would have been needed.

There is little that can be done at this late stage to modify the proposed transitional system, though business organisations must start now to plan for 1997.

Companies should give a higher priority at board level to preparing for the new regime, and concentrate the efforts of their computer experts on the complex modifications required.

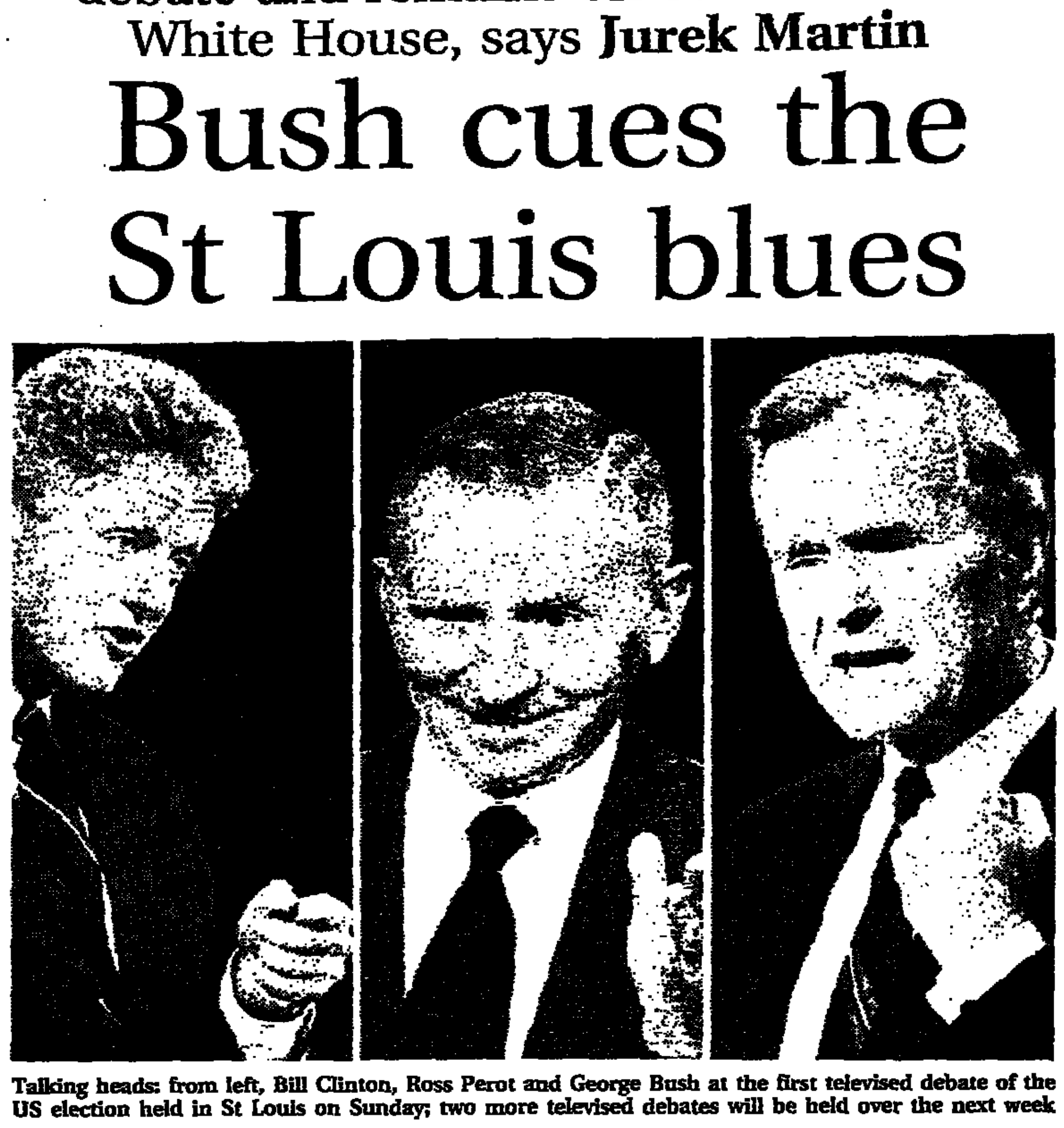
The customs authorities have indicated that they will be understanding of genuine lapses by companies but in the UK, at least, Customs & Excise has gained a reputation for hard dealing. Customs needs to be properly understanding of the real problems businesses will have to face.

Business organisations, for their part, must do more to make their voices heard in Brussels. If they had taken early, effective action when the VAT rules were under discussion they might not need to be so vociferous now.

Finally, ministers must take greater account of the needs of business when approving legislation. The European idea has fallen out of favour with many ordinary voters. The last thing the Community needs is to alienate businesses as well.

Clinton has survived the first presidential debate and remains on course for the White House, says **Jurek Martin**

Bush cues the St Louis blues



Talking heads: from left, Bill Clinton, Ross Perot and George Bush at the first televised debate of the US election held in St Louis on Sunday; two more televised debates will be held over the next week

Ross Perot may well have won the battle of St Louis on Sunday night but it will take a hatful of miracles for him to win the war for the White House. Bill Clinton does not need divine intervention to become the next president of the United States, but George Bush probably now does.

This is the safe conclusion from the first of the televised presidential debates, a process which has in the past proved influential in the selection of the president. In part they are watched for the knock-out blow or the killer mistake, but they also constitute an opportunity for candidates to parade themselves and their policies. Within the constraints of having to answer every question in no more than two minutes, they served that purpose on Sunday night.

Absent the *grand faux pas*, what came across the nation's TV screens was a sitting Republican president who really does not think there is much chronically wrong with the country, an earnest Democratic challenger who believes government can help put right what is economically amiss and an independent stuffed with pithy aphorisms about impending catastrophe but whose solutions, beyond the summoning of innumerable task forces and town meetings, are a little threadbare.

Mr Perot's performance has the potential once again to disturb the waters of what had increasingly seemed a still electoral pond, with Mr Clinton sailing serenely to victory and Mr Bush slowly sinking. On Sunday, it sometimes seemed the little billionaire was intent on encouraging this progression, for most of his best one-liners were at the president's expense. Responding to Mr Bush's assertion of experience as a prime qualification for the White House, he tartly observed: "I don't have the experience of running up a four trillion dollar debt."

Again, intervening in the only truly acrimonious exchange of the evening between Mr Bush and Mr Clinton, over the latter's role in organising protests against the Vietnam war in London 23 years ago, Mr Perot commented: "When you're a senior official in the federal government spending billions of dollars of taxpayers' money and you're a mature individual and you make a mistake, then that was on our ticket. If you make it as a young man, time passes."

But with lines like "we practise 19th century capitalism, the rest of the world practises 21st century capitalism", Mr Perot also succeeded in making both his opponents seem precisely what they are – professional politicians shaped by the *status quo*. To the extent that the public is fed up with politics as usual, as it clearly demonstrated by its early summer flirtation with Mr Perot, the blunt Texan again offered himself as a rallying point to the disaffected. The probability is that his stock is again on the rise.

As confirmed by the overnight polls, the critical difference between now and June, when he briefly led some national public opinion polls, is that most people have stopped believing that he can actually win. Moreover, the core of his support – among the military, its veterans and the elderly, the majority white – constitutes a bloc that mostly votes Republican or does not vote at all. This last month of the campaign may dispel the notion that he is a "quitter", but it remains hard to see that it will amount to much more than that, beyond the confines of particular states like his native Texas.

Still, it was Mr Bush who insisted that Mr Perot be a part of the debates, in the hope that he would shake up the political impasse. It was a gamble and it might be backfiring. It is possible that Mr Perot and Mr Clinton may end up splitting the movement for "change", but it is probably more likely that having to defend his economic management from attacks from two quarters will only put the president further on the defensive.

This is exactly where he cannot afford to be now. Just about the only offensive manoeuvre Mr Bush managed to spring on Sunday night was his sudden announcement that, if re-elected, he would ask James Baker to fix domestic affairs as he had succeeded in fixing foreign affairs. Later, White House officials started hinting that the current economic management troika – Nicholas Brady at the Treasury, Richard Darman at the budget office and Michael Boskin, the economic adviser – was definitely on its way out.

None of this is new. Neither Mr Brady nor Mr Boskin expects to be in office in January even if Mr Bush wins, while Mr Darman's pitch has been thoroughly queered by a recent series of Washington Post articles, for which he was a prime source, detailing the bitter administration infighting over taxation policy. Even the "economic tsar" notion was kicked around prior to the Republican convention in August, but was reportedly rejected by Mr Baker as too gimmicky.

Even now, it is not clear how firm the proposal is. After the debates, one Republican spokesman said the president was only thinking of putting Mr Baker in charge of domestic matters during the transition period between the election and inauguration in January, after which he would return to his old haunts in the State Department. Mr Bush himself said 10 days ago that that is what he wanted his old friend to do.

Critics also had an instant field

One TV commentator wondered if Mr Baker would appear in the next debate, since it was apparent he was the real president

day with the resurrection of Mr Baker. One TV commentator openly wondered if it meant that he, not Mr Bush, would appear in the second or third debate, since it was apparent that he was the real president. Mr Baker may tell all later this week when, after weeks of invisibility in the White House, he is emerging to give a formal speech. He was even interviewed on television after the debate.

More important was Mr Bush's inability to crack Mr Clinton's defences. Thoroughly prepared for the predictable, the Democrat scored one of the more palpable hits of the night by recalling the record of Senator Prescott Bush of Connecticut. "Your father was right to stand up to Joe McCarthy; you were wrong to attack my patriotism. I was opposed to the war, but I love my country. And we need a president who will bring this country together, not divide it."

Mr Bush never really got another opportunity to impugn his opponent's character or otherwise to rattle him. He was left with his stock campaign lines of optimism ("this country is not coming apart at the seams" and "we are still the envy of the world"), foreign policy achievement (most effective in defending his policies towards China) and the conviction that less government, not more, is what the country needs. But it was all the familiar stuff that simply has not been working so far and, as the debate unfolded, Mr Bush, initially quite relaxed, became more petulant and repetitive. For the record, it should be noted that no questions about Iran or Iraq were asked.

As the favourite for the White House, Mr Clinton had, in a sense, most to lose on Sunday night, though his campaign consistently argues that by merely holding his own with the president he enhances his credibility. Certainly, by committing no serious mistake, factual or otherwise, he avoided the worst imaginable pitfall. He also treated Mr Perot rather gently, joining in his attacks on Mr Bush but saying nothing that might be construed as critical of the independent candidate beyond the suggestion that he was putting too much emphasis on attacking the deficit and not enough on stimulating economic growth.

In truth, Mr Clinton often looked tense, until he warmed up in the final half hour, over-programmed and sometimes falsely folksy. But his purpose, successfully prosecuted, was to hammer away about the economy and the structural problems of the country, such as healthcare and education, to the exclusion of most else. When pressed on his credentials for the White House, he commented that "experience counts, but it's not everything" and that his experience "was rooted in the real lives of real people", not in the out-dated precepts of the cold war and trickle-down economics.

His message was of "change", not revolution. He declined an invitation to criticise the Federal Reserve, saying its monetary policies "seem to me pretty sound". He doubted the US needed to maintain 150,000 troops in Europe, but said "we certainly must maintain an engagement there" of, say, 100,000 or slightly less. He thought "economic security is a whole lot of national security". US ground troops should not be sent to Bosnia or Somalia, but "it is important to recognise that there are things which can be done", including a greater effort on refugees and consideration to ending the arms embargo on Bosnia.

His best moments – and Mr Bush's worst – were on social policy issues like health, race and drugs. He cited facts and figures on the unsustainable costs of healthcare, whereas the president devoted most of his answer to an attack on malpractice lawyers. He asserted his campaign had reached out across all racial divides, while Mr Bush merely complained that Arkansas had no civil rights act.

Mr Clinton said his brother's addiction to cocaine had given him a unique perspective and convinced him that legalisation was not the answer, while Mr Bush gave the impression that the war on drugs was making real progress. This left him wide open to one of Mr Perot's better ripostes. "There are guys, who couldn't get a job third shift in a Dairy Queen [a fast food chain], driving BMWs and Mercedes selling drugs and these old boys are not going to quit easy."

There are two more presidential debates to go, on Thursday and next Monday, broken up tonight when Vice-President Dan Quayle, Senator Al Gore and retired admiral James Stockdale, the running mates, have at each other. If Sunday was reasonably civil, the suspicion must be that the next confrontations will be much less so, for the very obvious reason that Mr Bush still has not found the key to rescuing his presidency.

Since the start of September, his campaign has oscillated wildly between attempts at constructive criticism of Mr Clinton and, as this made no inroads, increasingly negative onslaughts on his character. Mr David Gergen, senior editor at US News and World Report and formerly in the Republican White House, commented recently that Mr Bush and Mr Baker seemed to have concluded that "if the mud doesn't stick, start throwing the sewage". The fact that this is not sticking either does not seem to be a deterrent to hauling up another bucketful.

Joe Rogaly

Danger in delay

It is Mr John Major, not Mr Norman Lamont, who should have been grilled by the Treasury select committee yesterday. For the economic strategy that collapsed on September 16 was the prime minister's before it was the chancellor's. Both were wedded to maintaining the exchange rate with the D-Mark, but it was Mr Major's repeated public oaths of eternal fidelity to a magic number that made a voluntary sterling devaluation politically unthinkable. The chancellor could not make pre-emptive use of the flexibility designed into the exchange rate mechanism even if he had had the prescience to do so. The prime minister's pride was the one excuse Mr Lamont could not allow himself in his televised self-defence.

As the fits-and-starts search for a believable new strategy proceeds we are back to a further chapter in the same old story. It is once again Mr Major's weak political position that lies at the heart of the problem. Nobody who attended the Conservative party conference last week can have any doubt that the average Tory would rather see a return to higher rates of inflation than endure a further period of recession. The small businessmen who march behind the Conservative banner want interest rates sharply down at once, even if that means the abandonment of monetary policies aimed at holding the underlying rate of inflation to between 1 and 4 per cent. The prime minister and the chancellor are doubtless sincere when they say that keeping inflation low remains their top priority, but their supporters are clearly unwilling to take more pain.

The markets are aware of this. That is why the events of Black Wednesday took place. What remains to be seen is whether Mr Lamont's current strategy, which is to read the newspapers in the morning and then decide what each new day may bring, will carry conviction. Yesterday he would not admit to any reason why it should not. As he reminded the committee, he has not so far strayed from the path of monetary rectitude. True, but "leave it to me" is no longer good enough. This is a circular argument. If the individual upon whose judgment everything hangs has the markets' confidence, his judgment will be effective. If not, not. But luck does come into it. The markets can be moved by a variety of exogenous forces. If there are positive upwards movements in sterling and on the stock exchanges, for whatever reason, that will be counted in

It is once again Mr Major's weak political position that lies at the heart of the problem

the chancellor's favour. If sellers predominate, Mr Lamont's tenure of office will be brought to an early end. Fate will roll his dice.

A strong prime minister, confident of his own position and secure in the unity of his party, would not find it difficult to devise a better system for measuring both the performance of his chancellor and the progress of the economy. He could give responsibility for controlling inflation to an independent Bank of England. He could introduce genuine accountability, by setting out precise measures of performance and obliging the Treasury to report to parliament at regular intervals. Neither option has even been discussed. When I put the question to members of the cabinet in Brighton last week they all replied that the subject had not come up.

The remaining option is to bring in a new chancellor, one whose credibility has not been destroyed by events. In more settled times, the prime minister would simply move Mr Lamont to another department – the Home Office, perhaps – as part of a general reshuffle. For a while at least the government would look fresh. Mr Major is, however, trying to maintain a fragile union of, shall we say, rightwing nationalists and British Christian Democrats. He needs to watch the balance between these two parties in his administration as closely as he would similar partners in any continental coalition.

The short list of potential replacements for Mr Lamont is composed of names that would upset the Westminster coalition. Mr Michael Howard, who, as is proper for an environment secretary, is busying himself with the promotion of "Helping the Earth" week, is known to regard even the distant prospect of re-entry to the ERM with hostility. Mr Michael Portillo, the young chief secretary to the Treasury, is of a like persuasion; anyhow, his proper promotion, which could be sky-high, lies in a more distant future. Three other potential chancellors – Messrs Kenneth Clarke, Michael Heseltine and John MacGregor – are all solidly pro-ERM. None of the above say they want the job; all are straightening their ties. Meanwhile Mr Lamont has managed to acquire a reputation for being both in favour of the ERM and against it, which gives him a short-term political advantage at the cost of the last shreds of his reputation.

If Mr Major was not so petrified at the prospect of further upsets within his party he would cut through all this. The longer he waits, the more he risks the humiliation of having the decision taken for him by events.

When unity can sap the strength of a union

Germany's IG Metall wields unusual power, but will have to struggle to maintain its influence, writes **David Goodhart**

Germany's 3.5m-strong engineering union, IG Metall, is an increasingly rare organisation in the industrialised world – a trade union with power and self-confidence.

But Mr Franz Steinkühler, the leader of the union who this week presides over its triennial Congress in Hamburg, will need all his own strength to keep it that way, as German politicians and employers look to organised labour for the sacrifices needed to finance unification and to resist recession.

Mr Steinkühler's union faces these difficulties from a position of relative strength. It has won for its west German members a 35-hour week and, in 1991 and 1992, secured pay deals which were above the rate of inflation. For its 850,000 new east German members it has done even better – winning a deal with the engineering employers to implement a phased equalisation of wages between the two parts of Germany by 1994.

Much of the union's historic success has been rooted in laws which give employees a significant voice at both plant and board level in German industry. IG Metall, the largest of Germany's 17 industrial unions, has also played an important role in the institutional web of government, employers, unions and the Bundesbank, which steers the German economy.

But as the economic costs of unification have become more apparent, the German corporatist model – and in particular the privileged position of organised labour – has come under increasing attack.

Critics, led by the liberal Free Democrats, the smaller party in the coalition government, say that while the model may have helped to distribute wealth in a steadily expanding economy it should now be jettisoned. They claim that the external shock of reunification, exacerbated by the threat of recession, has revealed the lack of flexibility in the corporatist system.

Mr Steinkühler sees his job as maintaining the union's place at the centre of economic management during what he describes as a defensive period for organised labour.

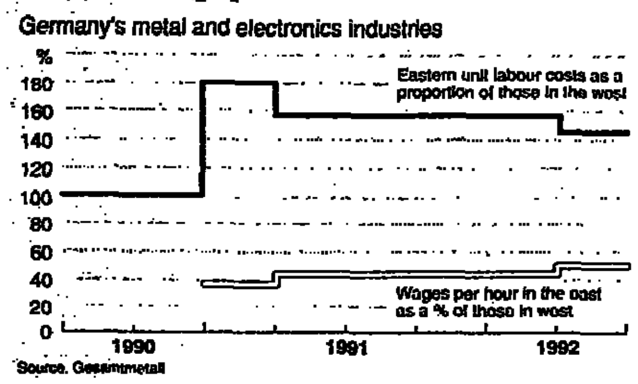
He accepts that a dialogue over financing reconstruction in the east is urgently required, and is even ready to accept a five-year pay agreement, providing wages are raised in line with inflation and taxes.

But in contrast to the government, which wants cuts in pay and welfare in the west to form the centrepiece of a "solidarity pact" to finance a transfer of funds to the east, the union wants more tax increases. This time, says Mr Steinkühler, the taxes must last longer and "all social forces must pay according to their ability to do so".

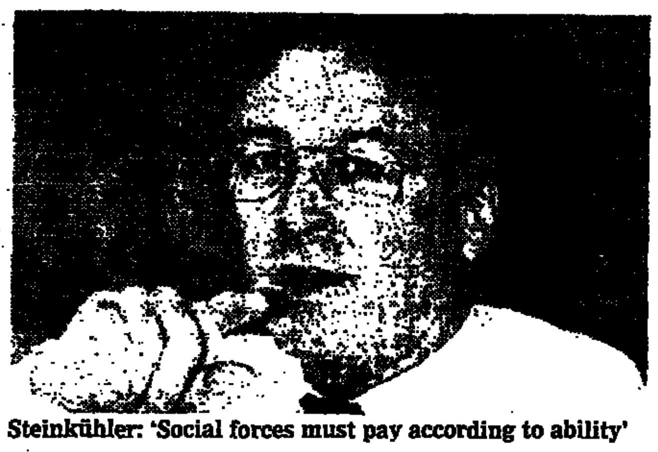
By that he means that the self-employed and public officials – who were excluded from part of last year's unification tax increase – should bear a greater share of the burden. He also favours a levy on post-tax profits, which would be higher for companies not investing in eastern Germany.

East-west gap

Germany's metal and electronics industries



Source: Gesamtmetall



Steinkühler: 'Social forces must pay according to ability'

'Our people in eastern Germany tell us that they cannot pay capitalist prices with socialist wages'

In support of his demands he says that, since 1990, employees have contributed DM73bn (£29.2bn) to the cost of unity compared with only DM17bn from employers.

Mr Steinkühler is equally clear in rejecting arguments for a suspension of the wage equalisation deal for eastern Germany. Employers say the agreement merely protects the well-off western workers from competition by raising unit labour costs in the east.

Mr Steinkühler believes that the problem in the east is not wage levels but a lack of marketable products. He says that where workers have taken pay cuts – such as at the MZ Zschopau motorbike plant – factories have still closed.

There is also said to be opposition to the wage equalisation agreement from within his own union. Some of the eastern members of IG Metall are believed to oppose the deal because they attach more importance to job security than to wage increases. Mr Steinkühler, however, claims that the equalisation deal is popular in the east. "Our people there tell us that they cannot pay capitalist prices with socialist wages," he says.

The equalisation deal is also a measure of how attitudes towards the financing of reunification have changed. In 1990 the deal enjoyed almost universal assent. It was expected to promote the swift social union that the east Germans had been promised as well as helping to slow the exodus of east Germans to the west.

Mr Steinkühler argues that the emigration from east to west continues and that without the agreement it would accelerate again. Many economists, however, claim that the flow is driven by unemployment more than low wages and that the equalisation deal is contributing to the loss of jobs.

The IG Metall leader appears to concede there is some connection between higher wages and unemployment in eastern Germany. For example, he quotes approvingly the expectation that real labour costs in eastern Germany will remain 20 per cent below those in western Germany even after wages are nominally equalised in 1994. That is because east Germans will not receive many of the extra benefits enjoyed by their counterparts in the west. A senior colleague also says that the union might offer a freeze at the 1994 wage level in the east for several years.

Even if he wins the arguments on such issues, however, Mr Steinkühler is facing more practical problems. Most worrying is the fragmentation of the bargaining system in the east. German employers say that a large number of companies in the east have not joined their respective employers' associations and even those that have are often paying below the agreed level – with the approval of their employees.

In western Germany a 21-month deal agreed in May has resolved wage disputes for the duration of the pact, but IBM Germany, a subsidiary of the US computer company, has recently announced its withdrawal from Gesamtmetall, the engineering employers' body. Other big employers, such as Daimler-Benz, are transferring jobs abroad. In another worrying precedent for IG Metall, the DAG white-collar union recently offered a pay cut at Lufthansa.

This must all seem a long way from the union's last West German Congress in 1989. Then it was rallying for its successful assault on the 35-hour week and developing a new bargaining programme for eliminating distinctions between blue and white-collar workers.

As in Germany, times have also become harder in international markets. In response, IG Metall has tried to support the international competitiveness of its members by strengthening sister unions around the world and by pushing the Social Charter within Europe. For the moment, according to Mr Steinkühler, the big challenge is to prevent a flood of cheap labour from eastern Europe.

Ahead, he observes, lies a period of "tougher distributional conflict" throughout the industrial world. But few other unions are as well equipped to tackle the struggle.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A recipe for disaster

From Mr Louis Musgrove.

Sir, The chancellor, Norman Lamont, has got it all back to front. Germany has a low inflation *because* it has a strong economy – not *vice versa*.

Britain has a weak economy compared with Germany. If you impose low inflation on a weak economy like ours you will not produce a strong economy: you will produce a disaster.

Louis Musgrove,
130 Woodbridge Road,
Ipswich,
Suffolk IP4 2NS

Actuarial feasibility

From Dr Geraldine D Kaye.

Sir, With reference to Peter Somner's letter on insurance protection for software (October 8), could I suggest that he undertakes a course of study in actuarial science before commenting on what is or is not feasible using modern-day actuarial techniques. Actuarial judgment is of value wherever a combination of both mathematical reasoning and common sense is required.

Geraldine D Kaye,
visiting senior research fellow in actuarial science,
City University,
Northampton Square,
London EC1V 0HN

Unilever's divided view of social chapter queried

From Mr Roger Lyons.

Sir, It was interesting to read the endorsement of the Maastricht treaty by the chairman of Unilever, Mr Michael Perry (Letters, October 9).

There is just one thing that puzzles me, and that is Mr Perry's enthusiastic support for the exclusion of the UK from the social chapter.

Could he explain why the improved rights to consultation and information for workers, which the chapter will help bring about, should apparently apply to employees of Unilever NV but not Unilever plc? What have his British workers, and our members, done to deserve this second-class status?

I was under the impression that both companies are part of the same transnational operating in an integrated European Community. Have I got it wrong?

I think we should be told.

Roger Lyons,
general secretary,
MSF,
Park House,
64-66 Wandsworth Common Northside,
London SW18 2SH

Fiscal conflict that is not a matter for despair

From Mr M R Weale.

Sir, Samuel Brittan's article ("What I would do as chancellor", October 8) ends with the suggestion that the conflict between GDP exchange rate and inflation targets may be irreconcilable. There is no need for this note of despair provided one makes a distinction between those variables which are intermediate targets, used as guides for short-term policy and medium- to long-term goals.

The exchange rate is surely in the former category. I doubt people felt happier when £1 was DM11.76 (or in 1923 when £1 was RM10^{10}) than they do now. On the other hand inflation and output are the latter category, and most economists would agree with Mr Brittan that they are best combined into a target for money GDP. The exchange rate has an important influence on money GDP, and the most obvious thing to do is to use the exchange rate target as a short-term guide to interest rate policy, while varying the exchange rate target with reference to current performance of money GDP. Obviously this is not compatible with a permanently fixed exchange rate, but it is compatible with membership of an ERM in which realignments are seen as a matter of course and not as the worst crisis since Dunkirk.

To relegate fiscal policy in the way that Mr Brittan does is surely a mistake. If money GDP were on course to grow at target rate with the old exchange rate, the devaluation must have raised the rate of growth of money GDP and a fiscal contraction is needed to offset this. Of course, if money GDP were growing too slowly at the old rate, then a change in the exchange rate must have been a good, not bad idea.

The combination of a money GDP target with some measure of saving (like public saving or the PSBR) requires joint use of monetary and fiscal policy. If the two instruments are separated, there is a risk that the monetary authority will find itself having to offset the effects of fiscal policy on monetary GDP, while the fiscal authority has to offset the effects of the monetary policy on the budget balance. For this reason I hope he is too busy as chancellor to push through his Bank of England Act.

M R Weale,
faculty of economics and politics,
University of Cambridge

Retailers are victims of arbitration process, not lease terms

From Mr John Campbell.

Sir, Your graph ("Nightmare on the high street for UK retailers", October 6) shows retail rents increasing by 80 per cent more than retail sales in 1986-90, whereas throughout 1971-86 rents and sales stayed close.

This overshoot of rent over sales involved a shift of resources from tenant to landlord reasonably explicable by market forces. The sales surge meant a shortage of retail premises, tenants paid high rent increases at review, equating increased demand for shops with limited supply. Had the boom continued high rents would have resulted in more shops. In recession retail sales collapsed, many shops fell empty, yet rents continued to rise in arbitrations.

(Had market forces been allowed to work, rents would have fallen more than sales, allowing retail prices to fall to equate supply and demand, empty shops to reopen and recovery to start. Resources would have started to shift back from landlord to tenant.)

Instead retailers suffered closure and ruin and the Retail Price Index was falsely inflated, not by market forces, but by the failure of the present arbitration set-up. Upwards-only clauses of shop leases have rarely operated in the slump, since arbitrators still award increases. Thus the arbitration set-up, not lease terms, is the main problem.

Retailers, who in 1986-90 accepted an 80 per cent rent overshoot over sales, realise that a corresponding undershoot under sales cannot happen in arbitrations, and they will be forced to keep paying the inflated 1986-90 rents for at least 14 years (see Professor Burton's "Retail Rents: Fair and Free Market"). For retail landlords a rent review means heads I win in booms, tails you lose in slumps.

Reasons for unfair rent reviews include: landlords and their agents deliberately suppress or rig rental evidence in arbitrations; reviews are settled by two or three local dealers in the second-hand house market; modern valuation methods are not employed.

Retailers with a residential house enjoyed both an overshoot in house price during the boom and suffered a price collapse during the slump. If their house was collateral the bank often closed their over-rented shop. For retailers in boom or slump it's heads landlord wins with high retail rents, tails I lose on house prices. Now retailers understand what is happening we will refuse to allow the arbitration scandal to continue.

John Campbell,
Tiddy Dols Eating House,
55 Shepherd Market,
London W1Y 7HL

OBSERVER

Dispenser of privilege

■ Card-carrying ex-comrades have just gained a new privilege in Moscow, although in today's world there are only about 600 of them in Russia's population of 150m-plus. The cards in question are needed to work a newly installed cash-dispensing machine which Visa claims is the first in the former Soviet Union.

Located in Moscow's exclusive Metropol hotel, it disdains the plunging rouble which the authorities are trying to make convertible. The system will dispense only dollars to tourists and the 600 inhabitants with Visa cards.

The cards – fastidiously issued to élite holders of hard-currency accounts through a local commercial bank called Credobank – were instituted by Visa last year as a contribution to the development of a market economy. But the blessings are going mainly to foreigners who have found it near impossible to get cash on their plastic while visiting Moscow.

Although Visa says it will proceed step by step until a mass market for cards evolves in Russia, it looks forward to having cash machines at other tourist centres in the country by the end of next year.

By then, who knows, a bit more than 0.0004 per cent of the indigenous population will be deemed rich enough to benefit, too.

In the cold

■ Meanwhile in Berlin last weekend, a formidable collection of intellectuals assembled for a "last encounter with the cold war".

Foregathered in the former Soviet Friendship Society were many of the veterans who had fought hardest against the tyranny of communism – Edward Shils, Irving Kristol, Robert Conquest and Melvin Lasky, the long-standing editor of Encounter, the monthly which, it believed, fought the intellectual cold war almost single-handedly and which died two years ago.

So what are the new dragons to slay? One idea is that there might be another magazine, even a new broadcasting station, designed to expose the lack of intellectual freedom in communist China. Another view is that the real enemy today is within, coming from demands for political correctness in American universities – though the Europeans were less inclined to spy this as the new Marxism.

Now that the cold war is over, intellectuals on either side of the Atlantic may indeed be going their separate ways, as was perhaps already obvious at the time of Encounter's demise, when there was plenty of American foundation largesse, provided that some money – if only a symbolic amount – came from Europe. It did not.

What lives on is the old fighting spirit. Lord Dacre was in Berlin to attack ideologies of all forms – including religion. It was for that kind of irreverent approach, as much as for helping to sink the cold war, that the magazine is missed.

Trigger-happy

■ Fancy whiling away the odd hour blasting off a bazooka on your visit to this week's Chinese Communist Party conference in Beijing? If so, head from Tiananmen Square towards the airport and, a bit to the west, you'll find the 16½-acre China North International Shooting Range.

Billed as the first "entertainment type shooting activity place" in the country, it is "provided with over 20 kinds of small arms, such as various pistols, rifles and machine guns, rockets, designed and built by China to be fired by friends of all nations".

Moreover, if you suspect that the other friends' aim may be wayward, don't worry. You can blast away from inside one of 20 shooting compartments "fitted with bulletproff (sic) steel plate".

'Are you still celebrating Columbus Day?'

Bearing gifts

■ Evidently US defence company General Dynamics, which has just ousted Britain's Vickers from a tank deal in Kuwait, still believes in the traditional ways of winning friends in the Middle East.

Off to the Gulf are its chairman, William Anders, and fellow board member Frank Carlucci, the former US defence secretary, together with wives and a bulging gift-sack which, besides such baubles as crystal and expensive briefcases, includes three ceramic falcons and another of bronze.

Observer understands that Saudi defence minister Prince Sultan can expect to receive the bronze example today. In Kuwait, where the delegation is due tomorrow, the prime minister, Crown Prince Sheikh Saad al-Abdulla al-Sabah, can likewise count on adding a statue to his collection.

Meanwhile, a special present is being reserved for Abu Dhabi's Sheikh Mohammed, third son of ruler Sheikh Zayed and a highly influential figure in defence procurement. He gets a bowie knife.

Disunity

■ More evidence, if such were needed, that the two parts of Germany are failing to knit together. Two taxi-drivers at Tegel airport in (former west) Berlin were yesterday remonstrating about a better placed colleague heading a long line of cabs in search of passengers. Roughly translated: "These bloody Ossis come here and steal all our business."

Crisp

■ Meeting his manager when going to cut a lettuce in two for a customer, a new assistant in a US store remarked: "There's a stupid woman who wants half a lettuce..." Then noticing the customer had followed him, he added: "but this nice lady would like the other half."

Impressed, the manager later offered to promote the assistant to a supervisor's post in Detroit. "Oh no!", said the young man. "All the women shoppers there are either prostitutes or hockey players."

"I'll have you know my wife comes from Detroit," the manager snapped. "Which team did she play for?" came the reply.

FINANCIAL TIMES
Tuesday October 13 1992

Bush's poor performance loses him 3-6 percentage points in the polls

Perot flies higher after debate

By Jurek Martin in Washington

PRESIDENT George Bush's uphill struggle to be re-elected looked even steeper yesterday as he was widely judged to have turned in the poorest performance in the first televised US presidential debate on Sunday night.

Three of four overnight polls proclaimed Mr Ross Perot, the independent, as the "winner," followed by Governor Bill Clinton, the Democratic candidate, who was reckoned to have done best in the fourth poll. Mr Bush trailed badly in all of them.

But Mr Perot's typically rambunctious and humorous act did not appear to make him a more credible threat to his opponents. Translated into voting preferences, two surveys found him rising to the 12-14 per cent range, with Mr Clinton gaining a point or two to 46-47 per cent and Mr Bush losing between 3 and 6 points to 31-35 per cent.

Apart from the mini-movement towards Mr Perot, probably a greater threat to Mr Bush than to Mr Clinton, most respondents said their minds had not been changed by the debate. With three weeks to go to election day this must delight the Democrats and distress the Republicans.

The debate was viewed as crucial for Mr Bush's effort to turn the tide. Though his spin doctors claimed he had done well, he elicited no measurable mistake from Mr Clinton during what was mostly a mannerly evening.

In the sharpest exchange between the two, Mr Clinton invoked Mr Bush's father, the late Senator Prescott Bush, as a fighter against the McCarthyite tactics which, he claimed, Mr Bush was using over his role in organising demonstrations in London against the Vietnam war 23 years ago. Mr Bush had implied it was un-American to engage in such activities on foreign soil.

Mr Bush was also not helped by the fact that most of Mr Perot's barbs were directed his way. When the president proclaimed the virtues of his own experience, Mr Perot chipped in: "I don't have any experience in running up a four trillion dollar debt." Mistakes in high office, Mr Perot said on another occasion, were very different from those committed by a young man.

Mr Clinton's elated handlers said afterwards that by focusing on the economy the Democratic candidate had achieved his principal goal, while he also effectively rebutted the president's charges about his character.

The surprise of the evening came when Mr Bush said he wanted Mr James Baker, who switched from secretary of state to head the White House staff in August, to run the economy in a second term. But that was later qualified by a campaign spokesman said Mr Bush was only referring to the transition period between the election and inauguration in January.

Yesterday, an official travelling with Mr Bush in Pennsylvania said there would be "a new economic team" if the president won a second term, naming Mr Nicholas Brady, the treasury secretary, Mr Richard Darman, budget director, and Mr Michael Boskin, chairman of the council of economic advisers, as certain to depart. This only confirms well-founded speculation.

Deputies in limelight, Page 8
Bush cues the blues, Page 18

Police try to clear a crowded street in London's Covent Garden area after an explosion which injured five people. The Irish Republican Army claimed responsibility Page 11

Companies face deadline on single market VAT rules

By Charles Batchelor in London

HUNDREDS of thousands of companies throughout Europe must urgently complete radical changes in the way they handle value added tax if they are to meet the January 1 deadline for creation of the European single market.

Many companies will not have enough time to modify internal information systems and alter computer systems, tax specialists said. They may be forced to carry out large numbers of VAT calculations manually, hire consultants or employ external computer bureaux at extra cost.

The new VAT rules have been devised to take account of the abolition of border controls which will mean that customs officers will no longer monitor shipments at border posts.

The responsibility for reporting VAT liability and recording trade statistics will be shifted to companies themselves.

The new rules are intended as a first step in a move from levying VAT on imports to imposing the tax on exports. The changeover is due to be completed in 1997. It affects only trade between European Community member states so businesses dealing with other countries will have to operate two sets of VAT procedures.

Accountants report considerable resistance from many clients to making preparations for the VAT changes. Part of the reluctance stems from the fact that the new EC legislation has not been finalised and last-minute changes may still be made.

Business organisations such as the Confederation of British Industry and the Institute of Directors in the UK, the French Patronat and the German employers' association BDI, are concerned that the new VAT rules will impose a heavy bureaucratic burden on business with few corresponding benefits.

"It is a horribly complex system," said Mr Adrian Ogley, a tax specialist at the CBI. "Tax is not glamorous politically so it has been left to the administrators from the 12 member states and business has not had much input." Mr Winfried Eggers of the BDI said: "It will only add to industry's costs. And whether it works or not will depend on whether every country implements the rules."

The abolition of border tax controls is expected to save £10bn, according to one estimate. But business organisations fear that much of this will be offset by the costs of adjusting to the new VAT regulations.

UK Customs and Excise has promised to treat genuine errors leniently in the first year of the new system but businesses are concerned that VAT officials will crack down on any mistakes.

Exporters pick up the pieces as barricades fall, Page 13
Editorial Comment, Page 18

Lamont says inflation must come down

Continued from Page 1

takes in his testimony, Mr Lamont appeared to have reassured Conservative colleagues yesterday that he could give a robust justification for his economic policies.

But although he emerged from the meeting with his standing at Westminster at least no worse than before, speculation continued over how long he could remain at the Treasury.

Mr Lamont remains vulnerable to charges by the Labour opposition that there is a vacuum in his economic policy. Mr John Smith, the Labour leader, said the chancellor's performance only confirmed the view that the government was suffering from "ministerial paralysis."

Arguing that unemployment was now the key priority for action both at home and on the continent, he castigated the UK's presidency of the EC as "one of the most calamitous" in its history.

The chancellor rejected the idea of increasing public spending and although he said the government would do its best to safeguard capital spending, "at the end of the day" it was the overall control of public spending that mattered.

Questioned about the circumstances of Britain's departure from the ERM, Mr Lamont rejected reports that the UK's EC partners had suggested a broader realignment of the ERM, including a devaluation of sterling, on the weekend of September 12-13, when the Italian lira was devalued.

Vickers says US political muscle won tank deal

By David White, Defence Correspondent, in London

VICKERS, the UK engineering group, yesterday accused the Bush administration of using political leverage to clinch a crucial Kuwaiti tank deal for the US company General Dynamics just ahead of the American presidential election.

The company is considering asking the British government to protest to Kuwait over the way the decision was handled.

Vickers was hoping for a contract from Kuwait worth £1bn ($1.7bn) for Challenger 2 tanks, including spares and support. One of its two tank assembly lines could face closure if other Gulf export deals for the new tank fail to materialise by the end of next year.

General Dynamics yesterday confirmed that Kuwait had signalled its intention to buy 236 of its M1A2 Abrams tanks. Details were still to be negotiated. It would not comment on allegations of administration pressure on Kuwait but said it welcomed any US official support.

According to several reports Mr Dick Cheney, US defence secretary, wrote to the Kuwaiti authorities stressing the importance of the deal for continued US military aid in the region.

Sir Colin Chandler, Vickers' chief executive, said he was "not in any way critical" of the British government's role. The company had received full backing from Mr Malcolm Rifkind, defence secretary, who visited Kuwait last month.

The Ministry of Defence said yesterday; "We share in the disappointment." Last year Vickers won a British contract worth £500m to produce 140 Challenger 2s, partly on the strength of the tank's export prospects.

Sir Colin said he believed Vickers was able to offer Kuwait a lower price than General Dynamics. It had submitted its bid only last week and was not expecting a decision until next month. "We've not even discussed our price with them," he said.

General Dynamics said results from Kuwaiti trials earlier this year would show that the Abrams "outperformed Challenger in every category". The trials focused on mobility, firepower and engineering.

Sir Colin said, however, that the Kuwaitis initially appeared to be "favourably impressed" by the Challenger. The company thought it had done "quite well" in firing trials.

Vickers claims Challenger, although slower on the ground, has the edge in crew protection and in maintenance costs.

Losing the Kuwait contract is the second upset for the Challenger 2 after its exclusion from a competition in Sweden for a similar-sized order.

Production work on the UK Challenger order, due to last to 1998, would not on its own be enough to sustain the two plants, he said.

The most immediate export prospect is Oman, which is seeking about 60 tanks.

Observer, Page 19

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	14	57	Frankfurt	S	11	52	Majorca	F	21	70	Oporto	F	16	61	Tenerife	F	21	70
				Brussels	S	13	55	Geneva	C	12	54	Malaga	F	19	66	Oslo	S	5	41	Tokyo	R	19	66
				Budapest	S	13	55	Gibraltar	C	19	66	Malta	S	27	81	Paris	C	12	54	Toronto †	S	8	46
Ajaccio	F	21	70	Buenos Aires	R	24	75	Glasgow	C	9	48	Manila	F	32	90	Prague	S	8	46	Tunis	S	25	77
Algiers	F	23	73	Cairo	S	31	88	Helsinki	S	-1	30	Melbourne	F	14	57	Reykjavik	C	6	43	Valencia	F	11	52
Amsterdam	S	12	54	Cape Town	S	19	66	Hong Kong	S	29	84	Mexico City	C	24	75	Rhodes	F	27	81	Venice	C	16	61
Athens	S	28	82	Caracas	F	30	86	Innsbruck	F	11	52	Miami †	S	25	77	Rio d'Janeiro	R	30	86	Vienna	F	11	52
Bahrain	S	30	86	Casablanca †	F	21	70	Inverness	C	10	50	Milan		–	–	Rome	F	21	70	Warsaw	C	5	41
Bangkok	R	32	90	Chicago †	F	9	48	Islamabad	F	30	86	Montreal †	C	11	52	Salzburg	F	12	54	Washington †	S	10	50
Barcelona	R	14	57	Cologne				Istanbul	F	23	73	Moscow	F	3	37	S'Francisco †	S	12	54	Zurich	F	12	54
Beijing	C	15	59	Copenhagen	S	9	48	Jakarta	R	31	88	Munich	F	11	52	Seoul	S	20	68				
Beirut	S	27	81	Corfu	S	25	77	Johannesburg	S	21	70	Nairobi	C	27	81	Singapore	T	26	79				
Belfast	C	11	52	Dallas †	S	13	55	Lisbon	F	17	63	Naples	F	20	68	Stockholm	F	0	32				
Belgrade	F	11	52	Dublin	C	11	52	London	R	12	54	Nassau	C	32	90	Strasbourg	F	13	55				
Berlin	S	8	46	Dubrovnik		–	–	Los Angeles †	C	17	63	New Delhi	Dr	25	77	Sydney	C	16	61				
Biarritz	F	16	61	Edinburgh	S	12	54	Luxembourg	F	11	52	New York †	S	13	55	Taipei	C	26	79				
Bombay	F	30	86	Faro	F	18	64	Madeira	F	22	72	Nice	S	21	70	Tangier	R	16	61				
Bordeaux	F	14	57	Florence	S	20	68	Madrid	F	14	57	Nicosia	S	28	82	Tel Aviv	S	31	88				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Lucas hits the brakes

FT-SE Index: 2557.2 (+16.0)

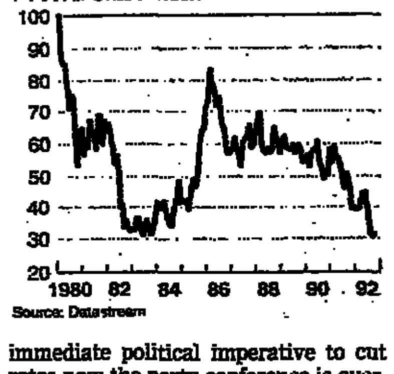
Lucas has been looking optimistically over the horizon for economic recovery almost since the recession started. Yesterday's annual figures finally included an £84m restructuring package, but Lucas still seems to take the notion that an upturn will cure its basic ills. The management talks of aiming to pay the full £49m dividend from operating earnings in 1992-93, when in the year just past it came entirely from reserves. Given that the company admits the first six months are unlikely to be much better than 1991-92, that implies quite a turnaround in the second half.

Cash is also a headache. When the company scooped up its £90m windfall from the pension fund last year, it expected gearing to fall from 40 per cent to below 30 per cent. It is now 44 per cent. The new finance director, Mr John Grant, will have to get a firm grip on working capital to prevent gearing rising further. The new programme for disposing of non-core businesses may not produce much by the way of profits above book value. It is probably more important that it will bring in cash.

Perhaps comparison with the likes of GKN, which battened down the hatches early in the recession, is a little unfair. Lucas has good products too, but its markets may be more competitive. Capital spending is needed to keep up. Nonetheless, a poor long-term record for cash generation is just the type of problem the likes of BTR enjoy sorting out. Unless Lucas addresses the issue itself, it may find that keeping shareholders sweet with their own money is not enough.

Lucas Industries

Share price relative to the FT-A All-Share Index



Source: Datastream

UK economy

Perhaps it was lack of incisiveness in the Treasury select committee questions. Perhaps the chancellor remains unexcited by open discussion of economic policy after all. Perhaps the authorities still do not have coherent ideas on policy. Whatever the reason, Mr Lamont's answers yesterday scarcely left the markets any wiser. Without clear economic criteria, short-run policy decisions will probably continue to depend mainly on politics.

True, one could read into Mr Lamont's remarks an indication that a rate cut is in the offing. Inflation, he noted, is a lagging indicator. So the fact that the UK is only just inside this particular target may not matter. The chancellor also focused on the exchange rate which has conveniently rallied since last week. Yet there is less immediate political imperative to cut rates now the party conference is over. The authorities may prefer to give the market more time to savour the prospect. After all, they can hardly afford to spark another precipitate fall of sterling by cutting too hastily.

One might expect the emphasis on the effective exchange rate index to create a little additional leeway. In fact, since Black Wednesday sterling has fallen by just under 10 per cent against both the D-Mark and in terms of the effective index. So the choice of yardstick has little immediate relevance, and looks designed as a sop to those who want nothing more to do with the ERM. It may narrow the government's freedom of manoeuvre next year, however, if, as many expect, the dollar starts to appreciate significantly against all European currencies.

BAA

BAA can afford to observe Dan-Air's struggle for survival from the comfortable position of a near-monopoly supplier. It is unlikely that Dan-Air attracts many passengers who would otherwise not fly, as Laker Airlines did in the 1970s, so there is not much of a threat to overall air traffic volumes. Dan-Air's charter commitments could be met by other carriers, and most would fly from BAA airports. Some scheduled landing slots at Gatwick might remain unfilled – as happened following the collapse of Air Europe – but the busy routes would be snapped up. There is limited risk of a bad debt charge, even if the worst does come to the worst.

The loss of Gatwick's second largest customer would dent hopes of developing that airport into a serious hub for scheduled business travel. Gatwick has been losing out to Heathrow since air traffic control restrictions were liberalised last year, as yesterday's traffic figures show. Annual growth at Heathrow is 6 per cent, against 2 per cent at Gatwick. But since charges are higher at Heathrow, why should BAA care?

Perhaps because another failure at Gatwick would have a knock-on effect on Stansted, London's third airport, which is still some way from break-even. It looks increasingly as though the £400m recently invested there will take longer than expected to produce a return.

Vickers

Sir Colin Chandler, chief executive of Vickers, may be forgiven for feeling depressed that the Kuwaiti tank order has gone to the US. Whatever the political shenanigans behind the decision, it highlights the risks of relying on the defence business. Vickers needs another order for its Challenger 2 tank in the next 18 months, and Kuwait was one of its best opportunities. Oman or Saudi Arabia may yet come up trumps, but no decisions will be made there until well into next year.

The cash injection from an order would have come in handy. Rolls-Royce Motors has been sucking cash out of the business and gearing has risen uncomfortably, limiting Vickers' room for manoeuvre. If BMW were still interested in acquiring part or all of Rolls, it might feel the price has just fallen.

Trafalgar House

The steadiness of Trafalgar House shares in response to the result of the Hongkong Land tender prompts the question of whether there is a floor around 85p. The answer is only a qualified yes. The wholesale rejection of the tender by institutional investors suggests they think the company is worth more. If Trafalgar House fails to appoint a board capable of unlocking that value, then, presumably, Land will eventually be back in part or in full. That said, one should beware of assuming the company can be turned round quickly or that the fortunes of the engineering and construction industries are at their nadir. Just because Trafalgar's assets are worth more than 85p per share now does not automatically mean they still will be in 12 months' time.

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday October 13 1992

INSIDE

Italcementi's French deal turns sour

Less than six months after catapulting Italcementi to the top of Europe's cement league through the surprise purchase of a controlling stake in Ciments Français, the deal has turned sour following the discovery of large off-balance sheet losses at the French company. Page 22

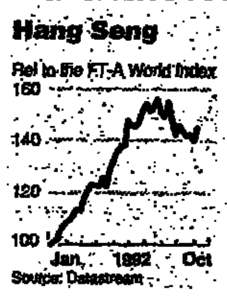
Politics put wind up US farmers

US farmers have little enthusiasm for four more years under President George Bush, but fear that a Clinton administration would make life more difficult. A book written by Mr Al Gore, Mr Bill Clinton's running mate, has entered the best-seller lists and farmers now fear they may be targets for extremist environmental protection measures by a new Democratic presidency. Page 30

Soup and biscuits

Campbell Soup, the US foodmaker, yesterday launched a surprise A$8.80 a share offer for Arnotts, the Australian biscuit maker, in which it holds a 32.9 per cent stake. The US group said it was prepared to move to 100 per cent control at a cost of A$943m ($680m). Page 24

Exuberance in Hong Kong



The Hong Kong bourse had an exuberant opening in the wake of the Sino-US trade agreement which concluded on better terms than had been rumoured on Friday. The Hang Seng index ended 128.86, or 2.3 per cent higher at 5,725.57. Property developers were the most active stocks on the day. Back Page

Corning earnings flatten

Corning, the US speciality glass group, yesterday reported flat third-quarter net earnings of $107m, or 57 cents a share, compared with $106.7m, or 57 cents, a year ago: Page 23

Intel revenue rises 20%

Intel, the leading US semiconductor chip manufacturer, reported a 20 per cent increase in revenue for the third quarter at $1.43bn. Net income rose 19 per cent. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Rosenthal	250	+	10
Schmalbach Lub	304	+	13
Falls			
DLW	391	−	17
Hochtief	950	−	35
Linotype-Hell	333	−	8
Philips Kommun	545	−	13
NEW YORK ($)			
Rises			
Adv Micro	12½	+	⅝
Avalon	3⅝	+	1
Ford	36¼	+	1½
Gen Motors	30¾	+	1⅝
Maxus Energy	7¼	+	¼
Zemex	5½	+	¾
PARIS (FFr)			
Rises			
Accil Entrepr	745	+	43
Fin Poliet	330.1	+	19.1
Navigation Mixt	742	+	38
Roussel-Uclaf	419	+	19
Falls			
Essilor Int	364	−	21
Gaumont (Soc N)	380	−	25
TOKYO (Yen)			
Rises			
Itoman	109	+	9
Subaru Ent	987	+	97
Torinky Ind	565	+	40
Falls			
Crown	786	−	64
Hanshin Rail	431	−	34
Hirabo	221	−	15
LONDON (Pence)			
Rises			
BAA	732	+	11
Channel Hdgs	21	+	3
Clarkson (H)	54	+	4
Electrocomps	311	+	11
Highland Dist	231	+	9
Kwik Save	693	+	19
Linton Park	140	+	10
ML Labs	778	+	30
Mirror Group	65	+	7
Trace Comp	30	+	5
Falls			
Bass	548	−	14
Body Shop	161	−	9
Brown Shipley	33	−	4
Eleco	29	−	7
Gibbs Mew	157	−	16
Grand Met	370	−	10
Hi-Tec Sports	48	−	3
Ramus	36	−	10
Rank Org	507	−	14
Standard Chtd	480	−	13
TI Group	298	−	11
Unit Group	30	−	4
Vickers	83	−	7
Wimpey (G)	88	−	6

US group wins Nordic snack bid

By Karen Fossli in Oslo

KRAFT General Foods International, part of the Philip Morris group of the US, yesterday won control of more than 50 per cent of the capital in Freia Marabou, Scandinavia's leading chocolate and snacks producer.

Norsk Hydro, Norway's biggest publicly quoted company, which controls 44.1 per cent of Freia's shares together with its pension fund, yesterday accepted the offer which values the company at $1.5bn.

It also accepted on behalf of Procordia, the Swedish food and medical group, and Paulig Services, a Finnish company. "Consequently, a total of 54.9 per cent of the shares of Freia Marabou is covered by the acceptance," Norsk Hydro said.

The move virtually extinguishes any hope held by Hershey Foods of the US to acquire the company through a rival bid which it was considering with Orkla, the diversified Norwegian food group.

Hershey controls 18.6 per cent of Freia's capital. KGFI needs a two-thirds majority to push the deal through and the many small shareholders could pose an obstacle to a rapid conclusion.

KGFI subsidiary Jacobs Suchard on September 28 offered to acquire Freia Marabou for NKr450 a share. Freia Marabou's B-shares closed NKr5 up to NKr435 yesterday on the Oslo bourse, but news of the Norsk Hydro acceptance came after close.

If the bid is successful, the company is to be called Freia Marabou Suchard. The offer offer expires on November 11.

KGFI promised Freia's shareholders it would ensure the company's growth and expansion. With the help of Jacobs Suchard, Freia's exports could rise by 5,000 tonnes to 20,000 tonnes within five years.

It said Freia's activities, board and management would remain intact and the company would take over responsibility for Jacobs Suchard's chocolate and sugar confectionery in the Nordic region, as well as in Britain, Belgium, Luxembourg, the Netherlands and the Baltic states. Freia will also be given access to Jacobs Suchard's research and development facilities and expertise.

Norsk Hydro stands to gain pre-tax profit of NKr2.4bn on the disposal which it says will substantially strengthen the company's financial position. Norsk Hydro's pension fund will receive an additional NKr500m from the sale of its 5.8 per cent Freia Marabou stake.

Jane Fuller on the dilemma facing operators at one of the world's busiest airports

Mastering Gatwick's history lesson

History may have caught up with Davies & Newman, owner of Dan-Air – the oldest British airline still operating under its original name.

If Dan-Air collapses, its demise will echo that of other Gatwick-based scheduled carriers. Air Europe sunk with its parent, International Leisure Group, in March last year. British United was taken over by British Caledonian in 1971. Nearly four years ago, BCal was in turn bought by British Airways which is still trying to turn around the Gatwick operations.

Some will blame the recession and recall that Dan-Air entered it in a weakened state. Others will ask whether Mr David James, the company doctor, was too daring in expanding the scheduled side of the business, rather than cutting costs and losses.

But the question will also be reiterated: is it commercially viable for an independent airline to run a scheduled European network based on Gatwick?

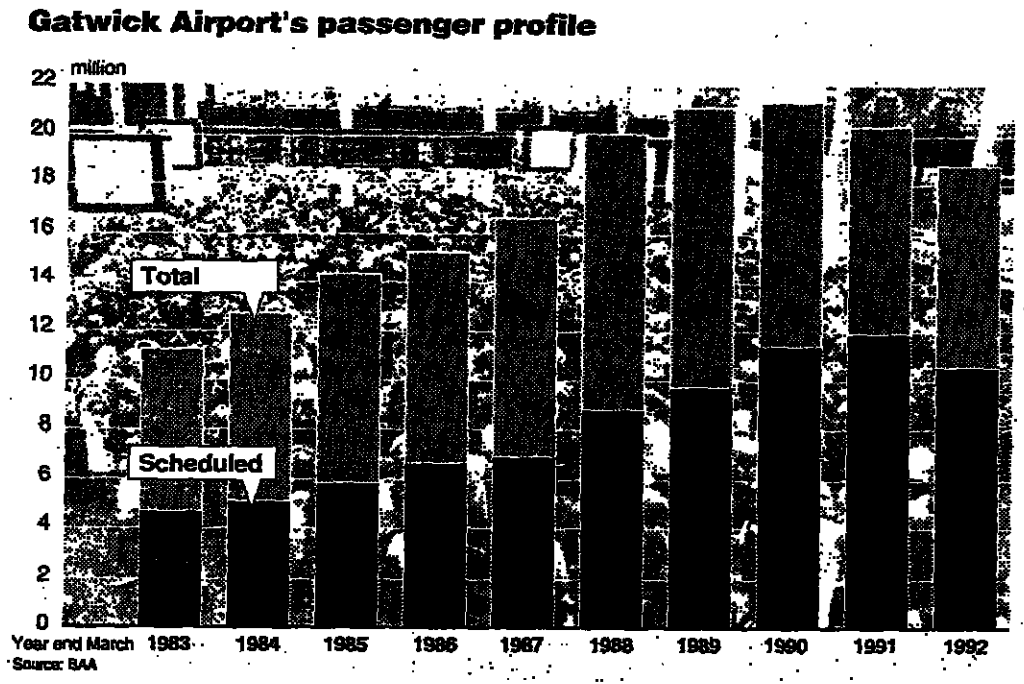
The crux of the problem is whether enough higher-fare business travellers can be attracted to Gatwick to prop up the yield (average revenue per seat).

Gatwick is one of the busiest international airports in the world, with nearly 20m passengers a year, but only one in five are business travellers. That compares with nearly half of the 44m passengers at Heathrow.

Gatwick suffered last year when the London air traffic distribution rules, preventing new carriers operating from Heathrow, were abolished. That prompted several airlines, including Virgin Atlantic, to move flights to Heathrow.

According to BAA figures, Gatwick traffic has fallen by 11 per cent, from a peak of 21.2m in the year to March 1990 to 18.9m in 1991-92. Business travel shows a decline to 20.7 per cent, from 22.5 per cent in 1990-91.

Gatwick Airport's passenger profile



The BAA also uncovered uncomfortable statistics last year among business people based in the Gatwick heartland south of London. "Four out of five Brighton businessmen were driving past and going to Heathrow; and only one in six from Redhill was using Gatwick."

Gatwick's prominent role in carrying leisure traffic is reflected in the high proportion of charter flights and of leisure travellers on scheduled services. The 44 per cent of non-scheduled flights from Gatwick compares with 0.2 per cent at Heathrow.

Heathrow's greater volume of business traffic creates a virtuous circle, whereby it can offer frequency of flights and connections with other airlines' flights.

To offer comprehensive timetables, airlines have to run off-peak services at lower yields to complement their busy morning and evening trips.

Again, Heathrow has an advantage. As Mr Randolph Fields, a former shareholder in Davies & Newman, puts it, Heathrow's ability to "skim off the high-yield cream" also enables airlines operating from there to "penetrate the low-yield market at will on a marginal cost basis". The competition for off-peak traffic is effectively cross-subsidised.

The advantages are reflected in the contrasting fortunes of Dan-Air and British Midland, the UK's second biggest scheduled airline, which controls 14 per cent of the slots at Heathrow.

British Midland is profitable and has attracted a substantial partner. Scandinavian Airlines System paid £50m ($85m) for a 40 per cent stake in its parent.

British Airways' losses at Gatwick bode ill. BA is tackling this by making a virtue of Gatwick's "one-terminal hub and spoke facility", dovetailing short-haul and long-haul services. Traffic has increased after a rescheduling exercise and costs have been cut; about 300 jobs were shed earlier this year.

Two conclusions Virgin reached studying Davies & Newman's books were that Dan-Air should be pruned and simplified.

The gravity of Davies & Newman's financial position has incurred the problem of ebbing customer confidence.

The UK's top three package holiday companies, Thomson, Owners Abroad and Airtours, all have their own airlines. It is, perhaps, no coincidence that Airtours, once a big Dan-Air customer, announced that it was setting up an airline in late 1990, about the time of the first Davies & Newman financial crisis.

Uncertainty exacerbates the situation since the suspension of Davies & Newman's shares on September 28. The pressure is on Mr James to organise swiftly the third rescue in two years.

Dan-Air in talks on rescue with BA

DAVIES & Newman Holdings, owner of the Dan-Air airline, is in rescue talks with British Airways after abandoning negotiations with Mr Richard Branson, owner of Virgin Atlantic Airways, writes Paul Betts in London.

British Airways yesterday refused to comment on whether it was considering the rescue of Dan-Air. It appears to have been approached by Mr David James, Davies & Newman's company doctor-chairman, and may be re-examining the Gatwick carrier after ending talks last month.

Airline industry analysts said BA might be put off any salvage operation if that entailed lengthy regulatory hurdles from the Monopolies and Mergers Commission. Last night British Midland expressed concern at a possible BA/Dan-Air link and said it would call for scrutiny by the MMC and EC regulators.

Mr Branson said that if his withdrawal resulted in "letting in a big bad wolf . . . then Virgin European Airways will be born". He believes that sufficient routes would be shed to enable him to set up a niche carrier.

Hopes have faded that Dan-Air can survive as an independent entity without a substantial partner and refinancing.

It is feared that this year's losses will take the pre-tax deficit for the past three years towards the £100m ($178m) mark. The parent company looks certain to breach its ceiling for bank borrowings this winter.

LTU, the German travel group, refused to comment on Dan-Air yesterday. After buying the Thomas Cook travel agency chain, it is looking at other areas of the holiday industry.

Lex, Page 20

Lucas Industries to shed 4,000 jobs

By Paul Cheeseright, Midlands Correspondent

LUCAS Industries, one of the UK's largest engineering groups, is shedding at least 4,000 jobs in a three-year restructuring programme. It will sell companies which are not central to its aerospace and automotive business and move its manufacturing operations on to fewer sites.

To pay for the restructuring, the group made a provision of £88.4m ($157m) in its 1991-92 results. The figures, announced yesterday, showed a sharp reduction in pre-tax profits to £22.5m from £82.8m in the year to July 1991, and a net loss of £8.8m compared with a net profit of £49.4m last time. Lucas had a loss per share of 1.2p, against earnings per share of 7.1p a year earlier.

The London stock market was cheered by the maintenance of the dividend at 7p. The share price quickly climbed 10p before settling to close at 94p for a day's rise of 4p. This gave Lucas a market value of nearly £660m.

Lucas started its restructuring programme earlier this year. It has already reduced its workforce by 1,250. The remaining 2,750 jobs will be cut in the UK and overseas, taking the number employed worldwide by the group to around 47,000 from more than 57,000 in July, 1990.

Sir Anthony Gill, chairman, warned the first half of the current year will be little better than the 1991-92 first half, when Lucas had pre-tax profits of £200,000 topped up by a £90m contribution from its pension fund.

The pension fund contribution is offsetting the future cost of the restructuring programme. In 1991-92 Lucas had in any case paid £23.7m in redundancy and reorganisation costs. These sliced into trading profits and left operating profits at £58.3m, half the previous year, but earned on sales 5 per cent down at £2.37bn.

Lucas found all its aerospace markets weaker: operating profits were reduced in the UK while losses were incurred in North America and continental Europe.

By comparison, its automotive business had a glittering year. Operating profits at £38.6m nearly reached the level of the previous year and sharply higher profits in continental Europe more than offset losses in the UK and North America.

Lex, Page 20
New components, Page 26

Veba buys large stake in Swedish power generator

By Robert Taylor in Stockholm

VEBA, the German conglomerate, is to become the largest shareholder in Sydkraft, one of Sweden's leading power generation companies, in the biggest privatisation yet in Sweden.

Preussen Elektra, a Veba subsidiary, is to pay SKr1.07bn ($197m) for part of the voting and non-voting shares owned by the council for Helsingborg, a large town on the south-west coast of Sweden.

Veba's expansion is one of the first examples of the increasing likelihood of higher levels of foreign ownership in Swedish industry. The removal of legal restrictions to foreign ownership of any part of a Swedish company, which was in place for more than 50 years, took place earlier this year. Last year the German company purchased 10.5 per cent of the equity but only 1.7 per cent of the voting shares in the Swedish power company.

Under the proposed deal, Helsingborg council is issuing a bond to Preussen Electra which gives the company the right to take over its stake in Sydkraft on January 1, 1995, when the existing consortium agreement of southern Swedish local authorities in Sydkraft comes to an end.

As a result of the agreement, the German company will acquire Helsingborg council's 6.2 per cent equity and 9.9 per cent voting rights in Sydkraft.

This will make Preussen Elektra the largest shareholder in the company and the second biggest owner of voting rights in Sydkraft after Malmo city council.

The Helsingborg council said the deal would provide them with a profit of about SKr1bn.

"Both from an ideological and economic point of view the deal is a very great success", said Mr Jerker Swanstein, head of the council. "A local authority should not own assets which can be owned by the private sector. The need for direct ownership is less important in a liberalised electricity market."

This is the first example of a local authority in Sweden privatising its stake in a utility. Other local authorities are expected to follow.

The deal with Veba shows the privatisation programme in Sweden has not lost momentum, in spite of the moratorium agreed two weeks ago between the Swedish government and the Social Democratic opposition on the sale of Sweden's state-owned enterprises.

Volvo says it may close Swedish plants

By Robert Taylor in Stockholm

VOLVO, Sweden's leading car corporation, confirmed yesterday it will decide next month on closure of two of its three assembly plants in the country with the potential loss of 1,630 jobs. The step reflects Volvo's severe overcapacity in a shrinking car market.

The plants have been operating at half capacity for some months. Their shutdown would concentrate production in Sweden in Gothenburg.

A decision to close the plants, at Kalmar and Uddevalla, would produce an annual saving of between SKr300m-SKr400m ($124m).

It was mainly due to the idealism of Mr Pehr Gyllenhammar, Volvo's executive president, that the plants were created as showcase examples of the company's commitment to a production revolution. Multi-skilled assembly-work teams were introduced and backed by computer technology.

Yesterday Volvo also announced it was making a further cut of 12,000 in its car production programme for next year in response to the continuing decline in sales. This follows a decision taken two weeks ago to reduce production at the company's Ghent plant in Belgium by 4,000.

Volvo said that a joint investigation was being carried out with the Swedish trade unions on the future of the Kalmar and Uddevalla plants. This will be completed early next month and then presented to the Volvo board for its final decision. It seems unlikely that either plant will remain open for much longer.

Volvo insisted yesterday that any decision to close Kalmar and Uddevalla stemmed from over-capacity problems and not poor productivity or other troubles at the two plants.

Mr Louis Schweitzer, chairman and chief executive of Renault, Volvo's French partner, last week warned that there had to be a "a profound restructuring" of the Swedish carmaker which would be "painful but necessary". In August Volvo reported a SKr103m loss (after financial items) for the first half of the year and it has continued to suffer from declining sales in the vital North American market. The company will have cut its annual cost level by about SKr5.2bn since 1990. The latest announcement is in addition to its earlier cost reductions.

Lufthansa in talks to sell part of stake in Kempinski

By Michael Skapinker, Leisure Industries Correspondent

LUFTHANSA, the German airline, said yesterday it was negotiating to sell part of its 42.6 per cent stake in the Kempinski luxury hotel chain.

The negotiations follow Lufthansa's announcement last June that it was scaling down plans to merge Kempinski with Air France's Meridien chain.

Lufthansa said it was in talks with several interested parties, but the most likely buyer of the Kempinski stake is thought to be Advanta Management, a German investment group controlled by Mr Hans Dieter Bock.

Der Spiegel, the German news magazine, reported recently that Lufthansa would retain an interest in the chain of about 10 per cent. It is believed, however, that Lufthansa would like to keep its stake in the chain at above 10 per cent.

The plan to merge the Kempinski and Meridien chains was announced last April. It would have created an 80-hotel group with 25,000 employees and annual sales of $1bn. Air France would have been the majority shareholder in the merged company. The hotels would have retained their own names.

Meridien has 60 hotels worldwide. Kempinki is strongest in Germany, but with a growing presence in North America and Asia.

In June, however, Lufthansa said it regarded the merger as a long-term objective only. In the interim, it said, co-operation between the two hotel groups would be limited to a joint marketing arrangement.

Lufthansa said if the marketing arrangement was successful, a mutual holding company would be created.

It said that no further decision would be taken without the consent of Lufthansa, thereby ensuring that the interests of the Kempinski chain would be assured.

The scaling-down of the merger plan led to speculation that the Kempinski management had opposed the deal. Lufthansa was also said to be concerned that a merger could threaten standards at the Kempinski hotels. The German airline said that any arrangement would have to ensure that quality of the Kempinski hotels was upheld.

Lufthansa said it could not comment on the future of its relationship with Air France while the current negotiations were in progress.

Stagecoach to buy NZ bus services

By Angus Foster in London

STAGECOACH, the UK's largest private bus company, has won approval from Wellington city council in New Zealand to buy its bus, tram and funicular railway services for NZ$8m (US$4.34m).

The acquisition is expected to be completed by the end of this month and will add about 270 vehicles to Stagecoach's 3,000-strong worldwide fleet.

The Wellington operations employ about 450 people, mainly on the city's "Big Red" bus services.

Stagecoach, based in Perth, Scotland, operates six regional bus companies in the UK, but about 20 per cent of turnover is overseas.

A company spokesman said Stagecoach had been interested in New Zealand since the country passed legislation similar to the UK in 1989 to privatise bus services.

Manning levels are now similar to those among privatised UK bus operators and the spokesman said cost savings from efficiencies would be small. Although the company is interested in further New Zealand acquisitions, other large city councils such as Christchurch and Auckland have yet to announce plans to open up services to the private sector.

Stagecoach has also looked at Czechoslovakia and is trying to break into Hong Kong, which recently announced plans to increase competition for the colony's bus services.

The company lost out in the first new franchise to be offered earlier this year.

Mitsubishi, Daimler stress co-operation

By Emiko Terazono in Tokyo

MITSUBISHI of Japan and Daimler-Benz, the German industrial group, yesterday reconfirmed their growing co-operation, after talks at the weekend in Japan between their executives.

Mr Takeshi Eguchi, vice-president of Mitsubishi Corp, the trading company that is the nucleus of the group, said the mutual understanding between the two groups had been strengthened.

Mr Eguchi added that of the several projects being studied, an important agreement between the two companies may be concluded by the end of this year.

The weekend meeting is the fourth since the highly publicised decision in 1990 between Daimler-Benz and four companies in the Mitsubishi group to seek a broad strategic alliance.

However, in contrast to the initial excitement over the tie-up, Mitsubishi underplayed the importance of the alliance. So far, the groups have failed to come up with any significant deals.

Mitsubishi Motors and Mercedes-Benz are discussing deal under which Mitsubishi will supply the German vehicle group with diesel engines for light trucks.

An earlier agreement under which Mitsubishi dealers in Japan sell Mercedes-Benz cars, has run into difficulties as the German company wants to develop an independent dealer network.

Outokumpu in FM62m loss for first eight months

By Christopher Brown-Humes in Stockholm

OUTOKUMPU, the Finnish mining and metals group, made a FM62m ($13.2m) loss in the first eight months, reflecting lower-than-expected metal prices and a weak dollar.

The result was considerably better than the FM255m loss recorded in the same period last year, but the recovery has been slower than expected because of reduced investment activity in the group's European and US markets. In the first four months, the group made a FM3m profit.

Sales in the last eight months rose 1.5 per cent to FM8.147bn from FM8.029bn.

Outokumpu said profitability had improved considerably compared with last year. It highlighted the November 1991 devaluation of the markka, growth in stainless steel sales, and the implementation of efficiency measures as positive factors.

The group said both its copper products and technology divisions continued to make losses, while stainless steel and base metals recorded positive results.

Outokumpu said Finland's decision last month to float the markka would worsen its 1992 result by FM50m, assuming a 15 per cent devaluation. It also said its decision to close down Outokumpu Copper Kenosha's drawn products line in the US would lead to FM130m in write-offs and expenses.

However, the company says its 1992 result is expected to "improve significantly" on last year's FM768m loss, although it will stay in the red.

● AMER, the Finnish consumer products group, reported a first-half pre-tax profit of FM40m ($8.52m), compared with a break-even result in the same period last year.

The improvement for the six months to August 31 came despite a 5 per cent fall in net sales to FM3.33bn. The group blamed the drop on a continued decline in the Finnish car market and reduced demand for wholesale paper deliveries.

French adventure leaves sour taste

Haig Simonian on Italcementi's takeover of Ciments Français

FOR Mr Giampiero Pesenti, the entrepreneur who controls Italcementi, Italy's biggest cement group, it has been a week to forget. Less than six months after catapulting his company to the top of Europe's cement league through the surprise purchase of a controlling stake in Ciments Français of France, the deal has turned sour following the discovery of substantial off-balance sheet losses at the French company.

Italcementi's problems are doubly ironic for both its chairman and Mediobanca, the powerful Milanese merchant bank that is its main adviser.

Last April's agreement to buy control of Ciments Français was hailed by Italian investors. After Pirelli's failure to buy Continental and the Agnelli family's discomfiture at the hands of Nestlé in the battle for Perrier, an Italian entrepreneur had finally pulled off a cross-border coup.

The praise was shared with Mediobanca. The bank's low-profile approach to corporate finance, based largely on personal contacts with a select group of institutions, appeared out of place. The Italcementi-Ciments Français deal showed that the bank was not superannuated.

That the transaction has turned complex is a blow to both Italcementi and Mediobanca, two companies equally renowned in Italy for their distaste for publicity.

Visitors to the Milan headquarters of Mr Pesenti's Italmobiliare holding company, which controls Italcementi, might easily think they have strayed. The impressive palazzo bears no nameplate. Only after passing a discreet porters' lodge, which bears no reference to the company, comes the security check giving access to Mr Pesenti's domain.

The low profile contrasts with the policy of Mr Pesenti's father Carlo, who built the group into one of Italy's leading conglomerates.

The price for expansion was debt. Following his father's death in 1984, Mr Pesenti sold assets to reduce borrowings under Mediobanca's guidance. Italmobiliare slimmed down to its core cement business, retaining some sidelines in engineering, publishing and tourism. Meanwhile, Mr Pesenti won admirers, culminating in his appointment as chairman of Gemina, the Fiat-controlled investment and financial services group in which Mediobanca and Italmobiliare are also shareholders.

In the past two years, Italcementi, which has been solidly profitable throughout, has been making a more public come-back and has been expanding at home and abroad.

Last year, it bid unsuccessfully for Cementir, the state-owned cement group put up for sale by the IRI holding group, and Heracles, the Greek cementmaker, which fell to Ferruzzi's Calcestruzzi cement and building materials subsidiary. But Italcementi managed to purchase two of Czechoslovakia's leading cement producers. Buying into Ciments Français was its biggest coup. With a combined production of around 36m tonnes a year, the group is now the world's second-largest cementmaker.

ITALCEMENTI Group sales (Lbn)		
1989	1990	1991
1,436	1,582	1,661

Net group profits (After minority interests) Lbn		
1989	1990	1991
170.3	206.1	184.5

But even Italian plaudits for the purchase were clouded by criticisms of its financing. In spite of its liquidity, Italcementi had to launch a rights issue, along with a convertible bond, raising about L650bn ($500m) to help pay the L1,700bn purchase price.

Minority shareholders were furious to be offered only non-voting savings shares in the bond, and to have to pay the same price for ordinary and savings shares in the rights issue. Some were further incensed by the sharp fall in Italcementi's share price in the run-up to the deal, triggering demands for an investigation into insider trading.

Typically, Italcementi has made no official statement about the problems in France, while Mr Pesenti himself remains incommunicado.

Company officials merely note that matters are being tackled jointly by Italcementi, Mediobanca, Ciments Français and Paribas, the French bank that controlled the French cement producer, and that all four are determined to reach an amicable solution.

Italcementi also stresses it will not suffer financially. It claims the recent devaluation of the lira has actually worked in its favour, as it had already bought French francs – now worth more in lira terms – to finance the deal prior to the lira's slide. Nor does the discovery of off-balance sheet losses at Ciments Français affect the "industrial logic" of the deal, it says.

However, it is still far from clear how easy it will be to plug the gap in the finances of Ciments Français, which was discovered by Italcementi's auditors, KPMG.

Two ideas are now being touted. Either Italcementi, which will not pay for the acquisition until year-end, will re-negotiate the price, or Paribas, as vendor, will make up the losses. Renegotiation could be a minefield in view of the fact that Ciments Français launched a big share placing in July. Though largely shunned by investors, allowing the Italians to pay less for the company could require compensation to shareholders who subscribed to the issue.

Hence Italcementi's apparent preference for the second option. Letting Paribas make up the "gap" in the accounts of Ciments Français means Italcementi would buy what it expected, and minority shareholders in Ciments Français could not claim compensation. With Paribas considering legal action, that idea so far seems to be more popular in Milan than Paris.

Aker profits slip to NKr 369m

By Karen Fossli in Oslo

AKER, the Norwegian cement, oil and gas technology group, yesterday reported a decline in profits to NKr369m ($61.5m) from NKr445m for the first eight months. The company was saved from going into the red by a NKr680m profit on the disposal of its stake in Cia Valenciana de Cementos, the Spanish cement producer.

However, Aker did fall into an operating loss of NKr93m in the period, from a profit of NKr341m last year, due to a NKr430m loss at Norwegian Contractors, part of the oil and gas technology division.

Mr Tom Ruud, Aker's president and chief executive, said that new equity and group transfers totalling NKr400m would be injected into NC before the end of the year.

Aker's two main divisions – cement and oil and gas technology – significantly increased sales to lift group operating revenue to NKr11.487bn from NKr8.303bn in the same period last year.

The oil and gas technology division increased sales by NKr3.1bn to NKr7.534bn, although it fell into an operating loss of NKr223m from a profit of NKr211m last year, and order reserves rose to NKr15bn from NKr11.5bn in the period. The cement division lifted sales by NKr217m to NKr3.963bn. Operating losses fell by NKr2m to NKr53m.

Board changes at East Asiatic

THE EAST Asiatic Company, one of Denmark's largest and oldest companies, has brought in outsiders for the first time as chairman of the supervisory board and chief executive, writes Hilary Barnes in Copenhagen. Mr Michael Fiorini, 44, finance manager at the AP Moller shipping and oil group, has been appointed chief executive. Mr Jan Erlund, a lawyer with board experience on several shipping companies, is to become chairman.

INTERNATIONAL COMPANIES AND FINANCE

Record sales boost Intel quarterly income by 19%

By Louise Kehoe in San Francisco

INTEL, the leading US semiconductor chip manufacturer, yesterday unveiled record third-quarter revenues and higher-than-anticipated earnings.

Net income rose 19 per cent to $241m, or $1.12 a share, from $202.m or 96 cents, a year earlier. Revenue was $1.43bn, up 20 per cent from $1.19bn.

"This was the best quarter in our history," said Mr Andrew Grove, chief executive. "Our products are enjoying broad acceptance in the marketplace; our factories are performing at record levels, and our bookings are excellent."

Third-quarter results were driven by strong personal computer sales as buyers took advantage of falling systems prices. Intel is the leading supplier of microprocessor chips that form the "brains" of personal computers. Sales of Intel 486 microprocessors exceeded those of the older Intel 386 products for the first time.

"The Intel 486 microprocessor is clearly the new personal computer standard," noted Mr Grove. The company said business conditions were strongest in the US and Europe, although improvement was beginning to be seen in the Asia-Pacific area. The shift to the Intel 486, combined with a weak dollar, was fuelling business overseas, even in economically troubled Japan.

During the quarter Intel declared the first cash dividend it its history of 10 cents per share.

For the first nine months, net income was$638m, or $2.98 per share, against $630m or $3.01 1991. Revenues were $4bn, up from $3.6bn.

● Advanced Micro Devices, which competes with Intel in the microprocessor market, said its was proceeding with plans for a "timely introduction of its versions of the 486 microprocessor" following rulings on Friday in a long-running copyright dispute between Intel and AMD.

In June a jury found that AMD had used Intel "microcode", the internal programs that control a microprocessor, without licence. The case addressed an earlier math coprocessor chip, but forced AMD to postpone plans to launch its own versions of the 486 microprocessor.

Now AMD believes that the jury decision "does not resolve questions related to AMD's rights to microcode in microprocessors", which will await a ruling by the judge.

Maxus shares jump on insider settlement

By Patrick Harverson in New York

SHARES in Maxus Energy, a Texas oil company, rose sharply in New York yesterday on the news that Kidder, Peabody, the Wall Street investment bank, had agreed over the weekend to pay Maxus $165m to settle an insider-trading lawsuit that was due to go to trial later this week.

The lawsuit was originally filed in 1987. It alleged that insider trading by Mr Martin Siegel, a former senior executive at Kidder, and Mr Ivan Boesky, the disgraced arbitrageur imprisoned for insider trading in 1988, forced Maxus' predecessor company, Diamond Shamrock, to pay too much in its 1983 takeover of Natomas, a San Francisco based energy company.

According to Maxus, Mr Boesky used confidential information supplied by Mr Siegel, who at the time was acting as Kidder's adviser to Diamond Shamrock, to force up the price of Natomas just before Diamond Shamrock paid $1.27bn for the company.

Under the agreement, Kidder will pay Maxus $125m in cash, plus $40m in exchange for five-year warrants to buy 8m Maxus shares at $13 each.

Both sides said they settled the lawsuit to avoid the cost and time of litigation.

News of the settlement pleased Maxus investors, who bid up the stock $¾, or more than 5 per cent, to $7⅞.

The share price of General Electric, Kidder's parent, was not affected. Kidder said the payment to Maxus would have no material impact on its business because the firm had already set aside reserves relating to the matter.

Corning blames Dow venture for flat returns

By Karen Zagor in New York

CORNING, the US specialty glass group, yesterday reported flat third-quarter net earnings of $107m, or 57 cents a share, compared with $106.7m, or 57 cents, a year ago.

Stripping out one-time gains of 1 cent a share in the 1992 quarter and 4 cents a share a year earlier, Corning said its earnings per share rose 4 per cent in the latest quarter.

Sales grew 20 per cent in the three months, to $1.15bn from $963.5m.

For the first nine months, Corning earned $257.2m, or $1.36, against $231.2m, or $1.24 last year. Sales advanced to $2.87bn from $2.43bn.

Mr James Houghton, chairman, said earnings from consolidated operations showed strong growth in the quarter. The modest earnings performance, in spite of strong sales growth, was blamed on a $15m decline in earnings from Corning's equity companies, particularly Dow Corning.

Equity income from Dow Corning, the 50-50 joint venture between Dow Chemical and Corning which was once the leading US manufacturer of silicone breast implants, dropped $12m in the quarter.

Although Dow Corning did not take any charges linked to its now defunct silicone breast implant operations, the joint venture yesterday reported a 60 per cent drop in third quarter net income.

For the latest quarter, Dow Corning's net income was $16.4m, against $40.5m, on sales of $500.6m against $458.7m.

About half of the profits fall was blamed on losses in financial transactions linked to the recent upheaval in European financial markets. Weak operating results accounted for the rest of the earnings decline.

Strong improvement at CPC

By Nikki Tait in New York

CPC International, the US food company whose products range from Hellmann's mayonnaise to Knorr soups, saw after-tax profits rise from $75.5m to $117.4m in the three months to end-September.

The strong improvement came on sales up by 7.7 per cent to $1.6bn, and translated into an increase in earnings per share from 48 cents to 76 cents.

The figures take after-tax profits for the first nine months to $318.8m, compared with $262.6m at the same stage in 1991. Sales for $4.81bn, compared with $4.64bn.

CPC said that the advance reflected "a solid pick-up" in the North American consumer foods business, and that it expected a good performance in the final quarter.

It admitted, however, that it was still feeling the "effects of recession" in several European countries.

● Procter & Gamble, the US household and personal care group, has formed a joint venture with Compania Manufacturera de Papeles y Cartones to market disposable diapers and feminine pads in Chile, Argentina, Paraguay, Uruguay and Bolivia, Reuter reports from Cincinnati.

The company said the joint venture business in Chile would be conducted through Prosan, one of the companies in the Compania Manufacturera group, and each partner would have a 50 per cent stake.

Pacific Enterprises sells energy assets for $371m

PACIFIC Enterprises, the US energy group, is to sell a large part of its domestic oil and natural gas assets to Hunt Oil of Dallas for $371m, Reuter reports from Los Angeles. The proceeds will be used to reduce debt.

Pacific Enterprises said it took a $156m, or $2.09 per common share, after-tax charge against earnings to reflect an expected loss on the sale.

The agreement is for the bulk of the company's oil and gas exploration and production operations, which in 1991 were 5 per cent, or $324m, of its operating revenues and 10 per cent, or $689m, of total assets.

Mr Willis Wood, chairman and president, said the sale was part of a restructuring plan under which the company will divest from its non-utility businesses to focus on its core business, the Southern California Gas Co.

He added that, by the end of 1992, he expected to complete negotiations to sell the company's Canadian oil and gas exploration and production unit, Pacific Enterprise Oil.

Ingersoll-Dresser plan cleared

By Andrew Baxter

INGERSOLL-RAND and Dresser Industries of the US are going ahead with a plan to merge virtually all their worldwide pump interests following a decision by the US Justice Department last month to drop its opposition to the scheme.

The formation of the joint venture, Ingersoll-Dresser Pump, comes almost 18 months after they originally announced their intention to create the world's second-biggest pump company after Ebara of Japan.

The move is the latest consolidation in the world pump industry, and creates a company with about $900m of sales last year and 8,000 employees.

In the UK, manufacturing facilities at Gateshead, Coleshill and Newark are included in the deal, but Dresser's Mono Pump operations in the UK are excluded.

The merger was cleared by the European Community in January, but a month later the Justice Department said the deal was likely to lessen competition substantially in the US in the manufacture and sale of various types of highly engineered pumps.

But on September 28 the department said it would not challenge the merger in court because the two companies had agreed to sell certain pump lines and assets to Gould Pumps.

US Shoe shuts plant

US SHOE, the US retailer, is closing its Ripley, Ohio, plant, Reuter reports from Cincinnati. The closure, and employment cuts at a related product development facility in Harrison, Ohio, will affect about 400 jobs, the company said.

General Motors averts strike

GENERAL MOTORS and the United Auto Workers Union have reached an agreement to avert a strike at a key parts plant at Anderson, Indiana, Reuter reports.

The plant, part of the US carmaker's Inland Fisher Guide division, supplies exterior lighting and bumpers for virtually all of the company's North American assembly plants.

GM said it had agreed to add 240 jobs to the plant over a two-year period.

INTERNATIONAL COMPANIES AND FINANCE

Campbell launches bid for Arnotts

By Kevin Brown in Sydney and Nikki Tait in New York

CAMPBELL Soup, the US foodmaker, yesterday launched a surprise A$8.80 a share offer for Arnotts, the Australian biscuit maker, in which it holds a 32.9 per cent stake.

Campbell, which has a sizeable biscuit and bakery division in the US where it manufactures the "Pepperidge Farm" brand, said its objective was to secure control of Arnotts by acquiring a further 17.2 per cent of the shares at a cost of A$209m ($149.20). However, the group said it was prepared to move to 100 per cent control at a cost of A$943m.

The offer, which is subject to approval by the Foreign Investment Review Board (FIRB), values Arnotts at A$1.2bn. Campbell already has FIRB approval to acquire up to 40 per cent of Arnotts.

Arnotts, which was informed of the offer only minutes before it was announced by the Australian Stock Exchange, advised shareholders to take no action until after a scheduled board meeting tomorrow.

Schroders Australia, the investment bank appointed to advise the Arnotts' board, said the offer was "not nearly good enough" to secure control of the group's large range of premium brands.

"I would have thought a first shot across the bows would have been in the region of A$12," said Mr Paul Binstead, a director of Schroders' investment banking division.

Analysts said the small premium over Arnotts' closing share price of A$8 suggested Campbell was testing the market, possibly to flush out potential rival bidders such as Pacific Dunlop, the diversified Australian manufacturer, or United Biscuits of the UK.

Mr David Johnson, Campbell's chief executive and himself an Australian, said the offer was "a logical extension" of the technical and marketing relationship between the companies, which began in 1985 when Campbell helped Arnotts resist a bid by Mr Alan Bond.

"We are sharing high-value ideas, technology, and know-how with Arnotts. We need majority ownership to justify sharing of our proprietary assets," he told the Arnotts board in a letter.

Campbell had started to buy shares in Arnotts in 1984, and pointed out yesterday that it was "invited by the Arnotts board to become a major shareholder in 1985". Today, Campbell has two representatives on the Arnotts' board.

Mr Johnson said Campbell would develop Arnotts' dominant position in Australia and help it increase sales in Asia, widely seen as a potentially lucrative market for Australian food manufacturers.

Arnotts', he indicated, would become Campbell's "pan-regional brand" in Asia, and could utilise the US food company's sales and distribution network in the region.

The US company's existing biscuit and bakery division had sales in the year to August of $808.6m and operating profits of $90.6m.

"The world food and biscuit industry is becoming increasingly globalised. Arnotts needs a global partner to help it take advantage of new opportunities," he said.

Campbell said Arnotts would remain a stand-alone company run by its current management team.

Analysts said this was probably an attempt to deflect criticism of the sale of the company's well known brand names to an overseas owner.

The offer is the fourth big development in the Australasian food market in little more than a year.

In the earlier deals, Pacific Dunlop acquired Petersville Sleigh from the collapsed Adsteam group last year, while Goodman Fielder Wattie sold its Wattie offshoot in New Zealand to Heinz of the US for A$428m and bought the Uncle Toby's group in Australia for A$330m.

Alcoa falls 33% to A$203.5m

By Kevin Brown

ALCOA of Australia, the aluminium group, yesterday blamed weak world prices for a 33 per cent fall in net profit to A$203.5m (US$145.30m) in the nine months to the end of September, on sales down 20 per cent to A$1.5bn.

Alcoa said lower prices for alumina, aluminium and gold contributed to the fall in earnings, but were partly offset by lower energy and power costs and a marginally weaker Australian currency.

Alcoa said aluminium prices had fallen below US$1,200 per tonne after exceeding US$1,300 earlier this year. However, alumina's price, which provides about three-quarters of revenue, had improved from about US$140 per tonne to US$160.

Net profits were also boosted by settlement of a tax dispute which reduced the tax payment from A$198m to A$126m.

"While conditions in the industry remain difficult, the company is confident it has the capacity to respond to the requirements of its customers as markets improve," the directors said.

Alcoa last month paid a fully-franked annual dividend of A$60m, taking its total dividend payments for the nine months to A$180m, a return of 43.3 cents a share.

Alcoa is 48.3 per cent owned by Western Mining Corporation, the Australian resources group. Western Mining warned shareholders in its annual statement that markets for most of its mineral products were likely to remain depressed in the current year.

"Improvements in the major world economies appear slow at best and 1992-93 will most likely be another poor year for the mineral industry," said Sir Arvi Parbo, chairman.

Maybank pre-tax up 26.1% to M$560m

By Kieran Cooke in Singapore

MAYBANK, Malaysia's biggest banking group, has reported taxable profits of M$560m (US$223.3m) for the year to June, a rise of 26.1 per cent on the previous year's figure.

Maybank's commercial and merchant banking activities accounted for M$472m of the 1992 profits.

Finance and leasing operations contributed M$72m, with other activities contributing the remainder.

Maybank has concentrated on its home market and therefore benefited from the rapid growth of the Malaysian economy over the past four years. More than 80 per cent of the group's taxable profits came from its operations in Malaysia, while about 12 per cent came from activities in Singapore.

Maybank also has operations in Brunei, Hong Kong, London and New York.

Mr Ahmad Mohamed Don, managing director, said growth prospects for the bank continued to be favourable given the continued growth of the Malaysian economy. In each of the last four years, Malaysia's economy has grown by more than 8 per cent. The latest estimates are for growth of 8.7 per cent this year.

Mr Ahmad also announced that Maybank had acquired a life insurance licence through the M$15m purchase of Safety Life & General Insurance.

The life insurance business in Malaysia is considered to be underdeveloped, and Mr Ahmad said the sector had the potential for long-term growth. According to Bank Negara, Malaysia's central bank, the number of new life insurance policies rose by 25 per cent in 1991.

SIA chairman gives Qantas pledge

By Daniel Green in Singapore

SINGAPORE Airlines (SIA) would not try to exert close management control over Qantas – the Australian international carrier which the government is planning to privatise – if it succeeded in taking a 20 per cent holding, Mr J Y Pillay, SIA's chairman, said yesterday.

In a warning to Canberra over the future independence of Qantas, he contrasted this promise with British Airways' apparent plans to direct the activities of USAir, in which it proposes to acquire a 44 per cent stake for $750m .

The UK carrier has, however, denied such plans, describing its proposed USAir investment as a partnership.

BA – which has also expressed interest in buying a stake in Qantas – would have a veto of USAir board decisions in spite of only having a minority shareholding. "We do not want a BA/USAir-type deal," said Mr Pillay.

Canberra is particularly sensitive to accusations of giving up control of the national airline before elections next year.

A significant interest in Qantas would help BA fulfil its plan to build a global airline. Earlier this year, Lord King, BA chairman, said the airline needed a stronger presence in the Asia Pacific market.

Mr Pillay said SIA wanted board representation only in proportion to its stake, but that details had yet to be worked out.

The link would reinforce SIA's position in the Pacific region. Mr Pillay admitted that its ties with Delta, the US carrier with which it has a 5 per cent crossholding, "could be a lot better".

Delta has been "pre-occupied" with dealing with its heavily loss-making routes especially in the highly competitive domestic US market.

Brierley close to Sealord deal

By Terry Hall in Wellington

A GROUP of 13 Maori tribes, has failed to stop the New Zealand government backing a deal that could see forestry group Carter Holt Harvey selling its Sealord fishing division to a joint venture of Maori people and Brierley Investments.

The dissident group, including Maori from the distant Chatham Islands, opposed a deal that was previously agreed by most Maori tribes. This was supposed to be a "final settlement" of all fishing claims dating back to the Treaty of Waitangi signed with the British in 1840.

Mr Justice Heron, in the High Court in Wellington, yesterday rejected a bid to order the Crown not to settle the deal until there was a full court hearing about the rights of Maori who didn't agree with the settlement.

His decision permits the government to lend the Maori people NZ$150m (US$81m) to form a joint venture with Brierley Investments to buy Sealord, which is New Zealand's biggest deep-sea operator, and owns 26 per cent of all New Zealand fish quota.

Mr Justice Heron refused to grant approval for the objectors to continue the case. He ruled that a substantive hearing, involving points raised by the objectors, could be heard before the year-end.

Maori and the Crown have been negotiating for years to try to settle Maori fishing claims.

Some Maori had already signed the deal, but others refused or said it was signed on their behalf without authority.

The hearing removes the major obstacle for the Maori-Brierley Investments offer for Sealord to go ahead. A rival group, led by a Danish group Royal Greenland, has also said it is bidding for Sealord.

Carter Holt Harvey is expected to make a decision on the rival bids shortly.

Rights issue by St George Bank 93% subscribed

ST GEORGE Bank, formerly Australia's biggest building society, yesterday said its A$102m one-for-five renounceable rights issue had closed 93.3 per cent subscribed, Reuter reports. The issue of 22.2m new ordinary shares offered at A$4.60 ($3.28) each, fully underwritten by BT Securities, increases shareholders' funds to more than A$564m.

Ampolex plans to double output in five years

AMPOLEX, the Australian oil producer, plans to double its output and spend around A$1.4bn (US$1bn) on development and exploration over the next five years, Reuter reports from Sydney.

Ampolex's production has grown rapidly in recent years, reaching a record 6.4m barrels in the year to June.

Mr Campbell Anderson, chairman, said in his annual report: "The board's ambition is to double this again, while adding to proven reserves, over the next few years."

WTC agrees sale of HK office complex to China

WORLD Trade Centre (WTC), a company in the Tomson Pacific group headed by Macao casino entrepreneur Mr Stanley Ho, has agreed to sell the Hongkong World Trade Centre to Resourceful River, a mainland Chinese concern, for HK$2.5bn (US$323m), Reuter reports from Hong Kong.

Mr David Lee, WTC general manager, said the deal to sell the shopping and office complex in Hong Kong's Causeway Bay district would bring a net profit of about HK$650m. Shareholders have yet to approve the deal.

In May, Hongkong Land sold a central district block to a Chinese consortium for HK$3.8bn.

Mr Lee said: "The proceeds will be used to repay debts, finance the company's various projects in China, and for strategic investment in Hong Kong and south-east Asia."

On September 1, the Hong Kong government appointed an inspector to probe the affairs of WTC and Tomson Pacific after a Securities and Futures Commission investigation into certain share deals by the two companies.

Correction

Gold Fields

GOLD Fields of South Africa will soon decide on the future of its Doornfontein mine, not its Deelkraal mine as reported in the FT on October 7.

INTERNATIONAL CAPITAL MARKETS

Heavyweight borrowers concentrate on the D-Mark

By Tracy Corrigan

SOVEREIGN and supranational borrowers with growing funding needs to meet are focusing their attention on the D-Mark sector of the Eurobond market, one of the few where large financings can still be completed.

Sweden announced a DM2bn offering of five-year bonds, due to be priced today at an indicated yield spread of 45 to 50 basis points over the German BOBL (short-term government bond).

The fixing of the price by consensus between underwriters is a new mechanism for the German market, and is designed to help improve the market's transparency.

In addition, the European Investment Bank launched a DM1bn issue of 10-year bonds, and Compagnie Bancaire, the French financial group, launched a DM250m five-year deal via Commerzbank.

The flow of issues in the D-Mark market is expected to continue through the coming weeks. A number of sovereign borrowers, including Norway, Finland, Italy and Spain are also considering tapping the market.

In addition, the UK has been in discussions with German banks about a D-Mark financing, as part of its Ecu10bn international financing package announced last month.

The flight of capital into the safe haven of the Bund market last month has benefited

INTERNATIONAL BONDS

D-Mark Eurobonds, but the sector must now convince international institutional investors that it can offer adequate liquidity.

"This is just the beginning of the era of D-Mark Eurobonds," said one German syndicate manager. "The market will supersede the Ecu sector."

The capacity of the market could be tested by an onslaught of paper, but demand seems to be holding up so far.

Dresdner Bank and Morgan Stanley, joint lead managers of Sweden's offering, reported strong demand from central banks, international institutions and domestic fund managers.

The indicated spread over German government bonds reflects worries about Sweden's economic problems, according to bankers.

In addition, the bonds offer a spread of about 15 basis points over Schuldscheine yields, which should help attract German investors.

Sweden has an ambitious SKr110bn funding programme, although there is no set time limit for raising this amount. The Kingdom is already increasing the size of its US commercial paper programme from $2bn to $9bn and its Euro-commercial paper programme from $3bn to $6bn, according to Ms Christine Holm, a director of the Swedish debt office. In addition, Sweden's shelf registration for the issuance of bonds in the US market is expected to be increased from its current size of $1.2bn.

However, today's offering is the first bond issue since the funding target was set. "We will not be in the market every week, but our ambition is to return for further funding," said Ms Holm.

The pricing of the EIB's 10-year issue arranged by WestLB was more aggressive, having been based on competitive bids by banks. The bonds offered only a slight yield pick-up over the 10-year Bund yield.

Even then, the deal illustrated the increase in funding costs for the EIB, since it lost its tax-exempt status in Italy last month. The cost of the deal, in floating-rate terms, was around 38 basis points below the London interbank offered rate, an increase of 50 basis points.

Both the Sweden and the EIB deals are expected to become trading benchmarks in the sector.

Elsewhere, the World Bank is preparing to launch its long-awaited Y200bn global bond offering later this week. The deal is arranged by Daiwa, Goldman Sachs and Nomura.

In the domestic sterling market, the Housing Finance Corporation, which funds housing trusts, added a £80m tranche to its existing issue of 11½ per cent bonds due 2016.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
European Inv. Bank	1bn	7.5	102.25	2002	1¾/1⅛%	West LBk
Compagnie Bancaire	250	7.75	101.5	1997	2/1¼%	Commerzbank
STERLING						
Housing Finance Corp.(a)	80	11.5	103.221	2016	62.5bp	Samuel Montagu
SWISS FRANCS						
Canon Sales Co.(b)♦★★	360	2.5	100	1996	-	BSI
Energie Beheer Ned.★★	150	6.25	101.5	1999	-	Paribas(Suisse.)

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. a) Fungible with existing £152m issue on paydate. Plus 146 days accrued interest. Coupon is payable semi-annually. b) Final terms fixed on 15/10/92. Callable on 5/5/93 at 101.5% declining by ¼% semi-annually.

Bratislava to set up options and futures exchange

By Christopher Brown-Humes in Stockholm

SWEDEN'S OM group has agreed with a consortium of Slovak companies to set up a futures and options exchange in Bratislava, the first of its type in eastern Europe.

The move is being made to help domestic funds and private investors manage the risks associated with equity investments as Slovakia embarks on an extensive privatisation process.

As eastern European countries rush to buy "off-the-peg" stock markets, Slovakia is the first to buy a ready-built derivatives market.

Yesterday's announcement prompted questions from derivatives experts about whether such a market could succeed. Slovakia does not yet have a formal stock exchange, let alone the liquid stock exchange normally considered a pre-requisite for a successful derivatives market.

"Having your own derivatives exchange – or even your own stock market – is getting to be like having your own airline. Everyone wants one, but they can't all survive," one expert said.

Mr Bjorn Unger, president of OM Systems International AB, said the options market was being established first because current Slovak legislation prohibited the sale of shares for the first year they are held.

"This has created a need, mainly among institutional investors, to manage the risks inherent in their investments," he stated.

The exchange will be called the Bratislava Options Exchange, and OM hopes it will be operating by the middle of next year.

The Swedish group will deliver the system and know-how for the exchange. At the same time, it will take 30 per cent of the exchange's initial Kcs60m ($2.2m) capital, with the balance being held by leading companies from Slovak industry.

Trading will be conducted by telephone and clearing will be handled centrally on the exchange.

Mr Unger expects that the participants will be confined to domestic mutual funds and private investors at first, although he believes foreign groups may eventually take part. Initially, dealing will take place in up to 10 privatised companies.

The privatisation process is already underway in Slovakia, with coupons being purchased by private investors and institutions. But the first wave of Slovak companies is not expected to be in the private sector before the end of this year.

Mr Unger dismissed suggestions that investors in Slovakia would be too unsophisticated to make use of the exchange, saying "education is a problem we meet almost everywhere".

Slovakia is currently breaking away from the Czech lands, but this had had no impact on the exchange project, Mr Unger said.

OM, which conducts exchange and clearing operations in Sweden and the UK, has previously delivered systems and know-how to futures and options markets in Finland, France, Norway, Spain and Austria.

Hopes for Bundesbank rate cut begin to evaporate

By Richard Waters

EUROPEAN government bond markets lost ground yesterday as investors' faith in a German interest rate cut at this Thursday's Bundesbank council meeting weakened.

The prospect of European leaders gathering for the Birmingham summit at the end of the week also left the bond markets uneasy. The general opinion was that the EC's political leaders could well do more harm than good in the short term to the cause of closer European integration.

Ten-year German government bonds fell back about a third of a point as the market decided that recent optimism about Bundesbank easing may have been overdone.

The possibility of a substantial supply of new bonds in the coming months is also dampening the enthusiasm of the market, with some DM40bn of this year's deficit still to be funded. In addition, a court ruling on income tax allowances, expected imminently, could add further to supply if, as expected, it forces Bonn to raise allowances for the lower-paid, thus cutting tax revenue.

On Liffe, the bund futures contract fell from 91.10 to 90.76 by the close on the general fall-off. The Euro-Mark futures contract on Liffe, meanwhile, reflected the lowering of expectation of a rate cut, with the December contract discounting a rate of 8⅓ per cent by the end of the day, compared with 8¼ per cent at the opening. That is still well below current

GOVERNMENT BONDS

market levels, though, suggesting that there could be a sharp market correction, said Mr George Magnus, an economist at SG Warburg in London.

■ LONGER-dated UK government bonds also lost some ground yesterday, although short-dated paper rose as expectations grew of a ½-point cut in interest rates later this week. Mr Norman Lamont, the chancellor, failed to provide any new stimulus for the gilt market as he appeared to answer questions before MPs, and no further indication of the direction of UK economic policy is now expected until the chancellor's annual Mansion House speech at the end of the month.

Data due out during the rest of this week are all expected to point to the possibility of lower interest rates: producer prices today, industrial production on Wednesday and employment on Thursday. The figures are all expected to show a deepening of the UK recession, and with the foreign exchange market already pricing in a rate cut, the government is widely expected to take the opportunity to pull the base rate down from its current 9 per cent level – where it continues to sit above German money market levels.

The long gilt futures contract on Liffe slid from 96$\frac{22}{32}$ at the opening to 96$\frac{8}{32}$ late in the day, while the benchmark 9 per cent gilts due 2008 lost $\frac{1}{16}$ point to close at 98$\frac{1}{16}$.

■ OTHER European markets generally fell in line with Germany, marking time before the Birmingham summit. Some markets, such as France, Denmark and even Italy, are said to be attracting greater interest as investors come to focus on their relative cheapness against bunds (their yield spreads against 10-year German government bonds now stand at 110, 186 and 711 basis points respectively).

However, with the European markets still anticipating a further realignment in the exchange rate mechanism, few are willing yet to buy these markets on the argument that they look cheap, said Mr Stephen Lewis, economist at the London Bond Broking Company.

■ WITH Alan Greenspan, chairman of the US Federal Reserve, travelling to Japan this week, some market commentators have sniffed the possibility of co-ordinated action to bring down interest rates on both sides of the Pacific. Mr Greenspan's comments that the Fed could act before the presidential election next month has also raised hopes in some quarters.

With the Fed having failed to take the opportunity to cut last week, however, there remains little indication that it will act now. And for its part, the Bank of Japan remains neutral on the question of any ODR cut, despite little sign that the economic package to stimulate the economy is having any effect. With the Tokyo stock market having stabilised at around the 17,000 level, there is also little immediate pressure on the authorities. The US markets were closed yesterday for the Columbus day holiday, while in Japan the benchmark bond No 145 eased slightly to close at yield of 4.87 per cent.

● Two Japanese second-tier brokerages are closing some overseas offices as a part of rationalisation plans in the face of a sluggish stock market at home, Reuter reports from Tokyo. Sanyo Securities closed its Los Angeles branch on October 9 and will close its Bahrain office on October 30. Okasan Securities is closing its Frankfurt office on Monday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.4686	+0.380	8.71	8.69	8.90
BELGIUM		8.750	06/02	102.3000	-0.250	8.38	8.47	8.88
CANADA		8.500	04/02	104.7000	-0.350	7.79	7.72	7.35
DENMARK		9.000	11/00	97.4500	+0.250	9.46	9.72	9.79
FRANCE	BTAN	8.500	03/97	99.4125	-	8.64	8.87	9.37
	OAT	8.500	11/02	100.0750	-	8.48	8.59	8.82
GERMANY		8.000	07/02	103.4650	-0.350	7.48	7.34	7.78
ITALY		12.000	05/02	89.4550	-0.205	14.53†	14.51	14.26
JAPAN	No 119	4.800	06/99	100.4323	-	4.72	4.65	4.78
	No 145	5.500	03/02	104.0737	-0.034	4.87	4.78	4.88
NETHERLANDS		8.250	08/02	103.3400	-0.180	7.74	7.72	8.23
SPAIN		10.300	06/02	84.4500	-	13.21	13.68	12.67
UK GILTS		10.000	11/96	105-21	+3/32	8.33	8.67	9.86
		9.750	08/02	105-00	+3/32	8.97	9.26	9.30
		9.000	10/08	98-02	-2/32	9.23	9.54	8.94
US TREASURY		6.375	08/02	98-08	+1/32	6.48	6.21	6.33
		7.250	08/22	96-31	-	7.50	7.33	7.28
ECU (French Govt)		8.500	03/02	95.0300	-0.120	9.30	9.42	9.43

London closing. Yields: Local market standard

† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)

Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT FIXED INTEREST INDICES

Volume	Oct 12	Oct 9	Oct 8	Oct 7	Oct 6	Year ago	High*	Low*
Govt Secs	89.70	89.62	88.86	88.33	88.04	86.70	90.11	85.11
Fixed Interest	103.95	103.73	103.01	102.71	102.31	96.47	106.46	97.15

* for 1992. Government Securities high since compilation. 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation. 106.46 (14/9/92), low 50.53 (3/1/75). Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5
Gilt Edged Bargains	144.6	123.6	142.0	137.4	152.8
5-Day average	140.1	138.0	133.9	138.7	134.6

Indices: SE activity 1974

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 4 1/8 94	200	107½	108¼		4.67	COPENHAGEN TEL 8 5/8 96 LFr	600	97¼	98¼		9.48
ALBERTA PROVINCE 9 3/8 95	600	111¼	111½	-⅛	5.27	ECSC 7 3/4 94 LFr	1000	98⅛	99		8.94
AUSTRIA 8 1/2 00	400	109⅜	110⅛	-⅛	6.75	WORLD BANK 8 96 LFr	1000	97¼	98⅛		8.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	65	1	11
Other Fixed Interest	5	0	10
Commercial, Industrial	256	224	942
Financial & Property	133	103	568
Oil & Gas	19	12	54
Plantations	1	0	8
Mines	13	32	102
Others	13	65	29
Totals	505	437	1,724

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
‡	F.P.	-	201	183	Chubb Security	184	-2	L2.8	2.9	2.0	20.3
-	F.P.	-	91	79	European Smlr. Co's	82	+1	-	-	-	-
-	F.P.	-	23	18	Do Warrants	20	+1	-	-	-	-
-	F.P.	-	98	96	SHIRESCOT	96		-	-	-	-
-	F.P.	-	20	18	Do Warrants	19		-	-	-	-
120	F.P.	-	192	157	‡Tepnel Diagnostics	160	-2	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	110p	105¼p	Fulcrum Inv Tst Zero Div Pf	107½p	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
27	Nil	12/11	8pm	2pm	Arlva Petroleum	2pm	-½
17	Nil	18/11	¼pm	¼pm	‡EIT	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

● First Dealings Oct. 12
● Last Dealings Oct. 23
● Last Declarations Jan. 14
● For settlement Jan. 24

3-month call rate indications are also shown on this page.

Calls in ASDA, Cairn Energy, Mirror Group, Stakis and Trafalgar House.

LIFFE EQUITY OPTIONS

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Glaxo (*773)	750	66	87	108	26	44	54
	800	38	60	82	50	69	80
Hillsdown (*97)	90	15	22	25	8½	13	17
	100	11	17	20	14	18	23
Lonrho (*65)	60	11	14	17	4½	7	8½
	70	6	9½	12	9	12	14
HSBC 75p shs (*422)	420	30	44	51	21	32	37
	460	13	26	34	45	55	60
Natl Power (*272)	260	23	28	36	6½	12	15
	280	12½	19	26	17	22	24
Reuters (*1266)	1250	84	125	143	52	74	90
	1300	57	99	122	80	100	117
R. Royce (*129)	120	14½	18½	20	4	7	8½
	130	8½	12½	14	8	11½	13
Scot Power (*188)	180	14½	19	20	3½	6½	7½
	190	8	-	-	7½	-	-
Sears (*86)	80	10	14	15	4½	7	9
	90	6	9	11	10	12	14
Forte (*156)	140	27	34	36	7	12	18
	160	15	23	27	16	22	28
Thorn EMI (*772)	750	48	64	80	22	32	40
	800	22	39	54	52	61	67
TSB (*136)	130	14	17	20	5½	8½	11
	140	8	12	15	10	14	16
Vaal Reefs (*$28)	25	7½	8	9	1½	2	3
	30	4	5	6½	3	5	6
Wellcome (*962)	950	63	93	115	45	63	75
	1000	40	71	92	72	90	100

EURO FT-SE INDEX (*2559)

	2375	2425	2475	2525	2575	2625	2675	2725
PUTS Oct	2	4	8	22	48	93	140	193
Nov	22	29	43	60	85	115	154	196
Dec	32	40	53	70	94	126	160	200
Jan	37	50	63	82	106	134	168	206
Jun †	65	-	95	-	135	-	190	-

October 12 Total Contracts 17,486
Calls 11,707 Puts 5,779
FT-SE Index Calls 2,174 Puts 3,722
Euro FT-SE Calls 37 Puts 65
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FIXED INTEREST

	PRICE INDICES	Mon Oct 12	Day's change %	Fri Oct 9	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	124.67	+0.12	124.80	1.42	10.46
2	5-15 years (25)	139.57	+0.09	139.45	2.25	10.59
3	Over 15 years (8)	145.10	+0.10	144.96	1.84	9.97
4	Irredeemables (6)	164.69	+0.29	164.21	3.88	8.83
5	All stocks (61)	136.74	+0.10	136.70	1.94	10.66
	Index-Linked					
6	Up to 5 years (2)	176.00	+0.03	176.38	0.14	3.68
7	Over 5 years (10)	158.45	+0.06	158.36	0.98	3.64
8	All stocks (12)	159.67	+0.05	159.64	0.87	3.61
9	Debs & Loans (62)	117.40	+0.56	116.74	2.12	9.58

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 12	Fri Oct 9	Year ago (approx.)
	British Government				
1	Low	5 years	7.87	7.91	8.73
2	Coupons	15 years	8.76	8.77	9.49
3	(0%-7¾%)	20 years	8.99	9.00	9.49
4	Medium	5 years	8.45	8.48	9.77
5	Coupons	15 years	9.24	9.24	9.63
6	(8%-10¾%)	20 years	9.36	9.36	9.58
7	High	5 years	8.74	8.77	9.97
8	Coupons	15 years	9.52	9.53	9.71
9	(11%-)	20 years	9.56	9.57	9.63
10	Irredeemables†		9.38	9.41	9.68
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.57	3.57	3.78
12	Inflation rate 5%	Over 5 yrs	4.11	4.11	4.20
13	Inflation rate 10%	Up to 5 yrs	2.72	2.72	3.12
14	Inflation rate 10%	Over 5 yrs	3.91	3.91	4.01
15	Debs & Loans	5 years	9.92	9.91	11.29
16		15 years	10.54	10.58	11.13
17		25 years	10.60	10.67	10.97

† Flat yield

Hongkong Land fails to lift Trafalgar stake

By Andrew Taylor, Construction Correspondent

MR SIMON Keswick yesterday confirmed that his Hongkong Land company had failed to increase its stake in Trafalgar House beyond the 14.9 per cent it acquired on October 1.

Mr Keswick, chairman, later met Trafalgar House directors to discuss possible boardroom changes at the UK engineering, construction, property, hotels and shipping group.

The positions of Sir Eric Parker, Trafalgar's chief executive, and Sir Nigel Broackes, chairman, are thought to be vulnerable following the Hongkong Land approach and recent shareholder criticism of the group's management.

The Trafalgar board said discussions with Hongkong Land had been amicable but no decision had been taken on management changes, including on whether Hongkong Land would be invited to the board.

It said that a full statement on various matters would be made in due course.

Hongkong Land had sought to raise its stake to 29.9 per cent, but said that it had received acceptances increasing its holdings by only 1 per cent. The tender offer, therefore, had been declared void.

Mr Keswick said his company had achieved its objective of acquiring a strategic investment in Trafalgar, which owned several world class businesses.

He said: "Provided the company (Hongkong Land) is adequately represented on the board, its investment will be long term and it will devote its resources to the future expansion and development of Trafalgar.

"The investment in Trafalgar represents some 3 per cent of HongKong Land's shareholders funds and leaves the company well placed to pursue other investment opportunities such as participation in the development of Hong Kong's newest container terminal.

"In this task Hongkong Land will be able to call upon the assistance of the wider Jardine Matheson Group.

Jardine controls 32 per cent of Hongkong Land and jointly owns with Trafalgar, Gammon construction group in Hong Kong.

Lucas puts new components in place

Paul Cheeseright details the three-year programme designed to meet changing markets

LUCAS INDUSTRIES has joined the lengthening list of large engineering groups engaged in changing the shape of its business.

A three-year programme, embracing the normal gamut of cost reduction moves, seeks to bring the group more closely into tune with the changing relationship between component manufacturers and the assemblers of finished aircraft and motor vehicles.

Competition in the aerospace and automotive industries, where Lucas does the greater part of its business, has become harsher as recession has deepened.

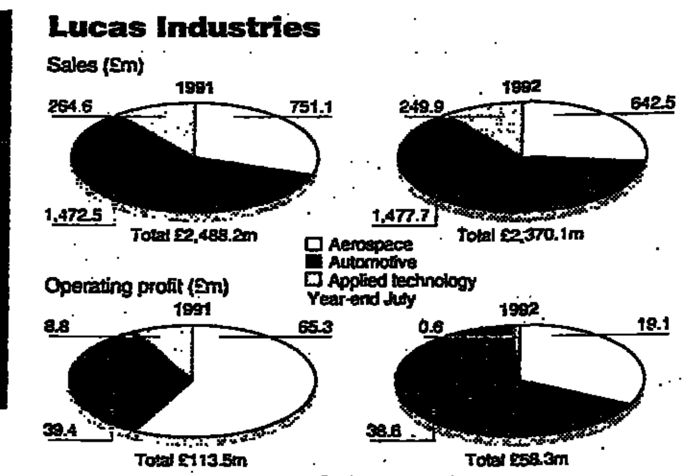
At the same time, the main vehicle and aircraft manufacturers are reducing the number of their suppliers. They prefer the stability of a long-term relationship with a limited number of suppliers to a shifting free-for-all based on tenders for a particular product.

As its customers change their habits, Lucas changes its own. But it is changing them against the background of a deteriorating financial position which has pushed it, like GKN, Glynwed and a host of other engineering groups, into a search for economies.

The most obvious manifestation has been the growing number of job losses, which at Lucas will take the size of the payroll to fewer than 50,000 from more than 57,000 in July 1990.

The changes at Lucas include following the conventional dictum of cutting back to core activities. It is putting up for sale companies which could raise about £100m during the current financial year. The first four to go have combined sales of about £150m a year and employ in the region of 2,000.

Sir Anthony Gill: warned government that it should keep inflation down



The biggest is the fluid power distribution business, which has most of its sales in the US, Autocentres, a vehicle parts business in the UK with 65 outlets, Defence Fabrications, which makes missile casings in Burnley, and Aircraft Transparencies, a Luton company making aircraft windows.

The group has also started to consolidate its plants, narrowing the geographical range of its factories, to have, for example, one product made in one factory and not in three.

Thus, in Buckingham, where Lucas had three assembly test operations, it has closed one. It has closed one small plant in Germany and another in France.

Seven units from the group's applied technology division, the largest employing 250 people, have closed in the US. A Los Angeles plant in the aerospace division has shut. But new plants have opened in Cleveland, replacing an outdated one, and in Salt Lake City.

There will be more, so far unspecified, plant closures, with the loss of jobs evenly split between the UK and other countries. But Sir Anthony Gill, the chairman, made clear that the UK is likely to remain the group's manufacturing base.

Although 81 per cent of Lucas's products are sold outside the UK, half of them are manufactured in the UK. "There may be an increase in UK manufacturing. This is a good base," Sir Anthony said, although he warned the government to keep inflation down.

Yet there will be shifts in the nature of the manufacturing. Lucas, it is now clear, will be buying in more components for its systems.

"Opportunities have been identified for more outsourcing, to achieve cost savings and to enable investment within Lucas to be concentrated on our own more valuable, specialised and sometimes unique capabilities," said Sir Anthony.

The more Lucas concentrates on the higher value-added parts of production and the more it rests its future on its ability to design products at the higher end of the technological markets, the greater the need for investment. Research and development and capital expenditure held up over the last financial year, but Sir Anthony is making it clear that the group would like to spread development and investment costs.

Lucas is no stranger to joint ventures. It recently announced two new partnerships, with Sagem of France and Autobrzdy of Czechoslovakia. And it wants more.

"What we'd look at is an area where we have a unique capability which we can exploit more quickly if we go in with somebody else, that's the nature of the trade-off," Sir Anthony said.

The search for joint ventures, the simplification of the Lucas manufacturing network and the re-shaping of the group will be under the control of a new and, Lucas hopes, streamlined and more responsive senior management.

Following tension on the board earlier this year and the appointment six weeks ago of Mr John Grant as finance director, Lucas has now decided to strip out a tier of management. The effect will be to cut central overheads by 25 per cent. Throughout the group the number of management positions will be reduced by 250.

Lucas used to have a series of group, sector and divisional executives. These have been scrapped and replaced by a new and small group executive, each member of which will be responsible for one of the five portfolios into which Lucas businesses have now been grouped – aerospace, applied technology and three automotive areas.

Tay dips 26% but lifts payment

By Walton Morais

TAY HOMES, the Leeds-based housebuilder, saw year-end pre-tax profits dip 26 per cent in depressed conditions. But increased turnover, including the sale of more than 1,000 housing units for the first time, and reduced gearing enabled the company to push dividends up 10 per cent to 5.85p.

Taxable profits in the year to June 30 1992 declined to £6.14m (£8.26m) on sales of £76.22m (£70.58m). Operating profits were down to £9.25m (£11.63m).

Reduced gearing of 47 per cent (66 per cent) on borrowings of £14.2m was partly due to a shift of costs on a show house joint venture being shifted off balance sheet. Interest charges fell to £3.11m (£3.37m).

Mr Trevor Spencer, chairman, said the year-end figures were an excellent achievement in uniquely difficult conditions. He said that while a forecast was difficult, the group's ability to generate profit reflected its capacity to weather the recession and recover strongly when conditions improved.

Sales of houses, mainly in Yorkshire, surpassed 1,000 units for the first time to hit 1,094 (849). The Midlands was also bouncy but trading in Scotland declined. Average prices dipped to £64,900 (£74,300), reflecting a focus on cheaper housing.

Sales of plots from the group's land bank, which stood at 4,800 units at year-end, totalled £1.4m (£2.3m).

Funds tied up in part-exchange homes totalled £5.8m (£5.2m) at year-end.

Shareholders funds rose to £30.31m (£28.05m) representing assets per share of 138.2p (127.9p). Earnings declined to 18.1p (25.1p).

Control Securities wins bondholders' consent

By Maggie Urry

CONTROL SECURITIES, the property, hotels, brewing and leisure group in refinancing talks with its bankers, yesterday won the consent of holders of one of its Swiss franc bonds to delay interest payments until January 18.

Holders of the group's two bond issues, which total SFr 200m, also agreed to waive rights to declare the bonds to be immediately due and payable until January 18. Further meetings of bondholders will be held on or before that date.

The group's banks, which recently agreed to a third standstill arrangement running until October 31, are providing facilities so that it can continue trading.

The group's shares were suspended in October last year, when the Serious Fraud Office sent in investigators. The company was built up by Mr Nazmu Virani, who is facing fraud charges relating to the collapse of Bank of Credit and Commerce International. Mr Virani resigned as chairman and chief executive in April.

Walker Greenbank ahead 5.6% and sales begin to improve

By Paul Taylor

WALKER GREENBANK, the wallcoverings group which recently emerged from a substantial reorganisation, yesterday reported a 5.6 per cent increase in interim pre-tax profits and said it had detected a slight improvement in sales in the last two months.

Pre-tax profits for the six months to July 31 rose from £2.69m to £2.84m on turnover which fell slightly to £29.51m (£30.37m) as a result of the disposal last year of the non-core Grimson stairlift business.

Operating profits, before exceptional items, increased by 13.3 per cent to £3.14m (£2.77m), but the increase was partly offset by higher net interest payments which grew to £301,000 (£83,000).

Earnings per share increased by a modest 2.6 per cent to 2.11p (2.06p) and the interim dividend is unchanged at 1.2p.

The core commercial and consumer wallcoverings business managed to boost its market share and increase its turnover by 4.6 per cent to £25.47m, mainly because of the inclusion of the Harlequin distribution company in Germany, acquired in December.

Without this new business Mr Charles Wightman, chief executive, said first half sales would have been flat. After a strong first quarter Mr Wightman said sales declined in May and June as business and consumer confidence evaporated after the election. However he added that there had been signs of a slight improvement in August and September.

Operating profits from the wallcoverings manufacturing and distribution businesses, which now also include growing fabrics businesses, rose by 11 per cent to £3.8m (£3.42m) as a result of "tight cost control" and reorganisation benefits.

During the first half Bloom Signs, the group's illuminated sign business, continued to suffer as a result of the declining UK market and recorded a £805,000 pre-tax loss in the first half despite a further substantial rationalisation. Earlier this month 85 per cent of the business was sold to its management team for £650,000.

The interim results include a £484,000 (£474,000) extraordinary charge. The latest charge mainly relates to the costs of the group's litigation against Ernst & Young, the accountancy firm, and William Carr and his son, Alan, for about £15m in damages and interest in connection with the £3.5m acquisition of Alkar, a shopfitting company, in January 1987. The High Court began hearing the claim on October 1.

Price Waterhouse rise pegged at 2%

By Andrew Jack in Washington

PRICE Waterhouse, the accountancy firm, saw fee income rise 2 per cent to £395m in the year to June 30. Mr Ian Brindle, senior partner, said: "The full impact of the recession is now reflected in our fee income. Business has been strongly impacted by the low levels of corporate activity."

Audit and business advisory services, comprising one third of total income, fell 2 per cent to £137m.

The most significant rise came in the corporate recovery division, which rose by nearly one third to £40m, reflecting the firm's work on companies in financial difficulty.

Management consultancy fell 5 per cent to £97m. The firm said this was the result of clients postponing discretionary spending in efforts to weather the recession.

Corporate finance and privatisation rose 19 per cent to £16m, while tax consultancy grew 3 per cent to £105m.

Kunick sells 50% of nursing homes

By Angus Foster

Shares in Kunick gained ¾p to 5p yesterday after the company announced it was selling a 50 per cent stake in its nursing homes business to reduce borrowings.

County NatWest Ventures will pay £12.5m for a stake in Goldsborough Holdings, a new holding company for the nursing homes business. About £18m of Kunick borrowings will be transferred to the new holding company. A further £6m of bank borrowings will be repaid once certain Goldsborough properties are sold.

This will reduce Kunick's net borrowings from £46m at March 31 to about £10.5m.

He said Kunick intended to keep its stake in Goldsborough, which may be floated at a later stage.

The nursing home business has been burdened by heavy borrowings, and recorded a pre-tax loss of £900,000 in the year to December 31.

Kunick's two French nursing homes are not part of the deal and are being retained.

Andrews Sykes dissident rules out making bid

By Paul Taylor

MR JACQUES Murray, the dissident shareholder at the centre of an increasingly bitter battle for boardroom control of Andrews Sykes, yesterday ruled out making a bid for the industrial services and environmental products group in the current circumstances.

European Fire Protection Holding, Mr Murray's main investment vehicle through which he now holds a 29.2 per cent stake in Andrews Sykes, said yesterday that it considers the company to be "substantially overvalued at the current market price," and added, "in the absence of a material change in circumstances – which would include an offer by a third party – EFP will not make an offer for the company at this level."

Mr Murray has criticised the recent financial performance of Andrews Sykes and has set down resolutions calling for the removal of Mr David Hubbard, the chairman, and Mr David Crowe, a non-executive director, from the five-man board and their replacement by himself and three of his associates at an extraordinary meeting on Friday.

Andrews Sykes' shares closed unchanged yesterday at 130p after gaining 5p on Friday when European Fire increased its stake in Andrews Sykes from 26.6 per cent to 29.2 per cent by buying shares in the market.

However yesterday's statement is clearly designed to dispel any shareholders' hopes that the battle could develop into a full bid.

In a letter to shareholders on Friday, Mr Hubbard launched a fierce attack on Mr Murray and his record as chairman of Nu-Swift, where he is the majority shareholder, and urged them to vote against Mr Murray's "unnecessary and unmerited" proposals.

European Fire countered yesterday that Mr Hubbard had failed to address its "legitimate concerns" and was seeking to "divert shareholders attention away from the question of Andrews Sykes' survival and the absence of an effective strategy to reverse its decline."

Adam board comfortably survives meeting

By James Buxton, Scottish Correspondent

THE CHAIRMAN and board of Adam & Company, the small Edinburgh-based private banking group, whose banking subsidiary lost twice its capital in irregular foreign exchange futures dealing, yesterday comfortably survived an extraordinary general meeting held to consider the affair.

There was no call at the meeting for the resignation of either Sir Charles Fraser, chairman, or of Mr James Laurenson, deputy chairman and managing director, and two shareholders asked for the opportunity to put more money into the bank.

Sir Charles, a leading Edinburgh solicitor and company director, told shareholders that if the senior executives and directors who were "technically responsible" for the loss were to resign, "you would have no Adam & Co." The company was too small to sustain the departure of its top executives.

But he said: "I apologise unreservedly to shareholders for what has happened. An expression of remorse is entirely appropriate."

Adam & Co, a bank which caters for wealthy individual clients, suffered a loss of £21m in its London treasury department due to operations by its foreign exchange dealers who "acted as a rather inexperienced gambler at a roulette table," he said.

Although the loss wiped out the bank's £10m capital, Adam & Co was rescued by Mrs Francoise Schlumberger Primat, a 75-year-old director, who agreed immediately to inject £21m into the bank by means of an issue of perpetual convertible non-cumulative preference shares which carry no coupon till 2003.

The Schlumberger family of France, whose fortune is founded on its company which operates systems for measuring the flow of oil wells, was already the largest shareholder in Adam & Co, following Adam's acquisition of Continental Trust in 1986.

Adam & Co – then the first new Scottish bank since 1844 – was created in 1984 by Scottish private and institutional investors and named after the economist Adam Smith.

Sir Charles told about 120 shareholders in a sober and attentive gathering at the Caledonian Hotel in Edinburgh that the loss occurred in a discretionary currency portfolio set up for a client and came to light on August 26 when the two dealers involved disclosed the situation.

Losses were incurred, he said, "at an early stage in the management of the portfolio." But the dealers were "extremely nervous about reporting such losses" and believed they could avoid doing so by "rolling contracts forward in the expectation of a reversal of the trends which had created the losses."

Because of the accounting techniques employed by the dealers neither the client nor the senior managers or directors of the bank were ever aware of the extent of the overall exposure. The quarterly reports "on almost all occasions indicated that there were no outstanding forward contracts at the reporting date. This we now know to be totally untrue."

The dealers were backing the US dollar against the D-mark at a time when the US currency was falling steadily. "The dealers acted as a rather inexperienced gambler at a roulette table and continued to bet on the same outcome, backing the dollar against the deutschemark and doubling up as the situation became more desperate."

Some 22 outstanding rolled-over positions were concealed. Fictitious deals were also booked to the portfolio account and, according to a specially commissioned report by Price Waterhouse, the dealers had "thought of everything, even to the extent of selecting counterparties which they thought would not be approached by the auditors."

The two dealers, Peter Wood, 31, and Richard Turnbull, 27, were immediately suspended and are now no longer employed by the bank, Sir Charles said.

The chairman said that such "operations can only be carried out by knowledgeable dealers who are prepared to manipulate the bank's reporting systems in order to avoid detection." The control over the management of the discretionary portfolio was "clearly not adequate."

Sir Charles said that Adam & Co had decided to stop operating discretionary foreign exchanges portfolios and close its London foreign exchange dealing room, retain only the one in Edinburgh.

Price Waterhouse is now finalising its "forensic" report on the affair and how it escaped detection which will be sent to the Bank of England.

The chairman said that fewer than 20 client relationships had been terminated because of the affair and the bank, which is a subsidiary of Adam & Company Group, now has net assets of £12.2m. A major clearing bank had confirmed the validity of Adam & Co's controls and highlighted areas where they might be strengthened.

Until the deficit on reserves of £18.8m has been eliminated shareholders cannot receive dividends from the bank, which made a profit of £1.2m before the exceptional loss. The bank is therefore considering a scheme, which would require court approval, to eliminate the deficit on reserves by reducing the nominal value of the share capital of the bank.

Although some shareholders raised critical points at the hour-long EGM, one shareholder, Mr Jimmy Walker, a fund manager, quoted Henry Ford's words: "History is bunk." Adam & Co must look to the future and give its shareholders the chance of subscribing new capital through a one for one rights issue.

Frank Gates interim downturn

By Peter Pearse

FRANK G GATES, the east London-based Ford motor dealer, continued to suffer from the fall in new vehicle sales, especially in fleet sales, and saw pre-tax profits decline from £692,000 to £216,000 in the six months to June 30.

Turnover at the company, which has five Ford franchises, was down at £25.8m (£29.3m).

However, Mr Edward Gates, chairman, said that sales in August, traditionally the highest selling month, were up 85 per cent on the previous August.

Price-cutting had led to lower margins in new vehicle sales, he said, but the company was aiming to hold profits rather than just shift units. Service was "in line with last time".

The contract hire side (about 80 per cent of the fleet was sold to Ford Motor Credit Company for £7m in November 1990) continued to grow – to about 60 per cent of its size before that sale, said Mr Brady.

Borrowings totalled about £4m, split between the contract hire side and the newly refurbished Bishop's Stortford dealership. Interest charges rose to £255,000 (£49,000) as a result. Earnings declined to 0.68p (2.19p) per share.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Highland Dist ......fin	4.55	Jan 14	4.14	6	5.52
Ldn & Strath ......fin	4.25	Dec 30	4.25	5.76	5.75
Lucas ......fin	4.9	Jan 18	4.9	7	7
Lyles (S) ......fin	3.35	Jan 2	2.95	4.9	4.45
Mid-States ......int	0.75	Jan 8	0.75	-	3
Paramount § ......fin	0.1	Jan 31	-	0.1	-
Tay Homes ......fin	4.65	Dec 1	4.1	5.85	5.3
Walker Greenbank ...int	1.2	Dec 4	1.2	-	3.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

COMPANY NEWS: UK

Exports offset Highland home downturn

By Philip Rawstorne

STRONG growth in export sales of The Famous Grouse scotch whisky helped Highland Distilleries to recover from first-half setbacks and increase full year pre-tax profits 2 per cent from £28.16m to £28.74m.

Exports of the company's premium scotch brand rose 29 per cent in value and 16 per cent in volume compared with overall industry export gains of 12 per cent and 4 per cent respectively.

Earnings per share for the year ended August 31 were maintained at last year's 15.1p. A final dividend of 4.55p (4.14p) lifts the total payout to 6p, an 8.9 per cent increase.

Operating profit declined from £22.41m to £21.92m on turnover 4 per cent higher at £169.4m (£163.37m).

Export sales of Famous Grouse amounted to £25.5m compared with £19.9m in the previous year. Distribution through Rémy Cointreau secured increased sales in a number of European markets including France, Sweden, the Netherlands, Greece and Portugal.

Highland now exports 37 per cent of its whisky. Overseas sales of Famous Grouse have risen from 50,000 cases in 1975 to 750,000 cases.

Volumes declined 6 per cent in the UK market where overall Scotch sales were 11 per cent down – a trend which provoked strong criticism of the UK government's taxation policy on spirits from Mr John Goodwin, chairman. "The complicated and illogical tax system reduces UK employment and damages the balance of payments," he complained.

Famous Grouse, the best-selling whisky in Scotland with a 24.5 per cent share, consolidated its number two position in the UK as a whole, raising its market share from 13.3 per cent to 14.2 per cent. Prices were increased 11.5 per cent in the UK and 8.6 per cent overseas.

Sales outside the group of new and mature whisky for blending were 30 per cent lower than last year as customers reduced stocks. Industry production was cut 7 per cent in the first half of 1992 following last year's 4.4 per cent reduction. Highland's distilleries are now running at 60 per cent of capacity.

Cash flow generated £10m of funds and net gearing was reduced from 13 to 6 per cent.

Recovery at Mid-States

First-half 1992 pre-tax profits from Mid-States, the London-quoted distributor of car parts in the US, were 17 per cent down on the corresponding figure, but 37 per cent ahead of the second half of 1991 largely as a result of cost reductions.

Pre-tax profit this time for the company which is based in Nashville, Tennessee, came to £1.92m, against £2.33m and £1.4m in the second half, generated from turnovers of £24.9m, £23.8m and £25.1m respectively.

Earnings per share worked through at 3.2p (4.1p) and the interim dividend is unchanged at 0.75p.

Albrighton cuts losses to £1.2m

The year ended March 31 1992 at Albrighton saw the completion of the business disposal programme, and the group now specialises in the quarrying, manufacture and supply of natural dimensional stone and waste disposal landfill.

Turnover came to £10.7m (£23.3m) and the loss before tax to £1.21m, compared with £1.39m. Continuing activities provided £2.53m (£2.76m) of sales and £204,000 (£440,000) out of an operating profit of £399,000 (£897,000).

Mr Peter Woodman, chairman, said the group was currently trading above break even, but he remained cautious about the year's results.

Australians may bid for parts of RHM

By Kevin Brown in Sydney

GOODMAN Fielder Wattie, the Australian food group which unsuccessfully offered £1.7bn for Ranks Hovis McDougall in 1988, yesterday said it might bid for RHM's continental European baking and milling activities if a hostile £780m takeover by Hanson succeeds.

Mr Michael Nugent, chief executive, said some of RHM's continental businesses "could be of interest to us, and we will keep watching that particular situation." He did not divulge which businesses interested GFW, or how much it would be prepared to pay.

RHM's continental European business had net assets of £16.9m in the August 1991 balance sheet and achieved trading profits of £2.6m on sales of £73.6m in the 1990-91 year, down from £4.7m and £75.8m previously. They comprise three milling and one bakery company in the Netherlands, and a bakery group in France.

GFW's European foods division generated sales of A$750.5m, a fifth of the group total, in the year to June 30, and the group has made no secret of its plans to acquire further businesses.

European activities centre on milling and baking businesses in Belgium, the Netherlands, France and Germany, where Mr Nugent believes long term European growth will be strongest.

Earlier this year the group merged its Melvin and Bakkerij Hendriks baking businesses in the Netherlands into a single business under the name Quality Bakers Europe.

It described the A$14m acquisition of Limburgse Molens, a privately-owned Belgian flour miller, as a step towards building "critical mass" in milling and baking.

GFW disposed of its 29.9 per cent holding in RHM after its bid failed, and was later the target of a failed A$3.1bn counter offer from RHM. Last week it sold its Wattie Foods business in New Zealand for A$428m and paid A$330m for the Uncle Toby's food and snack group.

Publisher with a flair for the right image

Dorling Kindersley plans to raise £30m through a flotation. Andrew Bolger reports

Ashley Ashwood

Peter Kindersley: illustration used to be an afterthought in British publishing

STRIKING combinations of images and text on the page have fuelled the rapid growth of Dorling Kindersley, the British publisher which is soon to be floated on the stock exchange.

The Covent Garden-based company, which is likely to have a market capitalisation of £75m-£100m, is best known for books such as Penelope Leach's Baby and Child manual and its encyclopaedias of gardening, plants and flowers, produced in association with the Royal Horticultural Society.

Mr Peter Kindersley, the company's chairman and chief executive, said illustration used to be an afterthought in British publishing, with poor pictures and graphics just dropped anywhere into an already written text.

DK's reference books are conceived from the outset as an integral combination of images and words, with captions wrapped round high quality photographs and graphics, printed on clear white backgrounds.

The company spends as much as £2,000 per page in its books – well above the industry average. Mr Kindersley, 51, who trained at arts school, believes publishing has suffered from a failure to invest sufficiently in its products, which in turn leads to low profit margins.

DK recoups this heavy investment by achieving high sales of its reference books for adults and children. Most of the company's titles sell more than 100,000 copes, even although the majority are in hardback. To date, 38 have sold more than 500,000 copies and 12 titles have sold more than one million copies.

The sales level results from the company's decision to focus on the international market. DK's books currently sell in more than 80 countries and in 37 languages. Last year 30 per cent of group sales were in the UK, 32 per cent in the US and 38 per cent from the rest of the world.

The increasingly international outlook of the business has spurred growth at DK, which saw its pre-tax profits double to £7.5m in the year to June on sales which increased by 66 per cent to £70.9m.

Mr Kindersley believes that publishing has suffered from the dominance of author's agents, who have been been able to extract huge advances by forcing individual publishers to bid against each other for each new title in separate territories around the world.

DK's royalty rates and advances tend to be lower, since the company normally originates the concept and is responsible for commissioning authors, rather than bidding for ideas from authors. Some titles have no named authors, thus saving royalties completely.

The company publishes a relatively small number of titles, bring out only 168 in the last year. DK says this enables it to concentrate its efforts on achieving high quality and on heavily marketing the finished products. Of the company's 700 employees worldwide, 400 are editors and designers.

DK describes itself as market-led, with each new book idea being developed after extensive market research. The group aims to ensure that likely sales will cover the costs of each new title, and employs no fewer than 50 people on foreign rights.

Since the company was founded in 1974, DK has published more than 560 titles, 90 per cent of which are still in print. About 30 per cent of the group's turnover comes from "backlist sales" - titles which have been published for more than a year or two. DK said only 6 per cent of its books were returned by shops – compared with an industry average of more than 20 per cent.

Another strong selling point has been DK's success in signing up learned and official bodies – such as the British Medical Association, Red Cross and London's Science Museum – to advise on and endorse publications, in exchange for royalties. The American Medical Association endorsed a Family Medical Guide which has already sold 5.3m copies and continues to sell 100,000 copies a year, providing a steady stream of income.

DK's pathfinder prospectus, being published today will seek to raise £30m in new money for the company. The flotation is being sponsored by Barclays de Zoete Wedd, with Cazenove acting as broker.

The shares will be firmly placed with financial institutions, but will be subject to clawback by financial intermediaries for sale to private clients. Mr Kindersley's family will own about 45 per cent of the enlarged share capital.

One of DK's most successful ventures has been its Eyewitness series of children's books, which it established in 1987 with the French publisher Gallimard. Since 1988 the Eyewitness series has sold more than 13m copies in 30 languages.

Mr Kindersley is at his most eloquent about the growing importance of education. He believes that in a culture flooded with fleeting images, both children and adults can best learn by browsing and indulging their curiousity in a careful blend of images and text.

Perhaps the most exciting long-term prospects come from DK's link with Microsoft, the US computer software company which after the flotation will have a 20 per cent stake in the British company.

Both companies have just finished work on their first joint project, an interactive CD "reference book" of musical instruments. Having slotted the CD into an appropriate personal computer, users can interrogate the huge database – calling up pictures, words and sounds of the world's instruments.

Mr Kindersley believes this interactive form of education has huge potential, and will also provide a lucrative outlet for DK's existing archive of more than 500,000 images.

Aminex losses rise 20%

AMINEX, the Irish-quoted oil exploration and production group, increased pre-tax losses by 20 per cent from I£50,470 to I£60,415 (£62,834) in the half year to June 30. Gross revenues fell from I£398,900 to I£198,600. Losses per share were unchanged at 1p.

Mr Brian Hall, chairman, said the group had reached agreement with its principal lenders to repay 75 per cent of all monies outstanding, and to repay the balance over the next two years. This would improve the financial position and, together with the expanded exploration portfolio, strengthen prospects.

Stephen Dean

The High Court has dismissed proceedings against Mr Stephen Dean brought by Chequers. Mr Dean had resigned as chairman and chief executive in February. The court ruled that the company, formerly called Dean & Bowes Group, had "failed to provide an adequate statement of claim" against Mr Dean.

BSR makes $8m disposal

ASTEC, a member of the BSR group, announced that its subsidiary, Beckman Industrial, had disposed of its instrumentation products division, which manufactures and markets test instruments, to Wavetek Corporation of San Diego, California.

Total consideration was $7.97m (£4.71m) and in addition, the purchaser assumed bank borrowings of $1.21m. Some $3.5m of the price was received in cash with the balance payable in ten instalments over five years.

Net book value of the assets disposed of amounted to $6.67bn at December 31 1991.

Rebels call for Clark to be put up for sale

By Peggy Hollinger

THE BOARDROOM split at C&J Clark took a further twist yesterday when the rebel directors called on the board to put Britain's largest shoe manufacturer up for sale.

A circular is being prepared by the rebels urging shareholders to call for the drawing up of a sale prospectus which would put Clark into play. Robert Fleming, the merchant bank, has agreed to act for the four board members.

The move comes just four days before the extraordinary general meeting aimed at deposing the chairman, Mr Walter Dickson, and non-executive director, Mr James Power. The rebels are seeking changes to the corporate strategy pursued by Mr Dickson.

The requisitionists, as the rebels are named for calling the egm, have proposed two new board candidates, Mr Hugh Pym, ITN journalist, and Mr Michael Markham, a businessman. They claim to represent some 40 per cent of the Clark family holding. The Clarks control 80 per cent of the company through direct stakes and family trusts.

Mr Markham said yesterday that the decision to call for a sale came as a result of the approach received from management consultant, Mr Colin Fisher, backed by venture capital group, Electra Investment Trust.

"The requisitionists accept that the company has been put on bid alert," said Mr Markham. However, he questioned whether an offer backed by Electra – which would depend on the failure of the requisitionists proposals – was in the best interests of all shareholders.

"The company has to get the best offer," he said. The discussions with Electra "do not give a flat playing field to anyone else."

The board said yesterday it was aware of the rebel's latest move but it too was considering soliciting other bids through Schroders, its financial adviser.

The rebel's efforts to attract bidders is, to some extent, a gesture to the large number of Clark family members who might be interested in selling their holdings. Mr Markham said the requisitionists wanted to dispel any suspicions that they had a "bunker mentality", an image which could reduce shareholder support on Friday.

The company nearly embarked on a partial flotation in 1987. It came close to rounding up support from the necessary 75 per cent of shareholders but it dropped the proposal shortly before an egm.

Lifting market share through co-operation

Richard Lapper on how British insurers are running their overseas businesses

BRITAIN'S troubled insurance companies continue to shy away from joining forces in the domestic market, but overseas they are becoming increasingly keen on co-operation.

Recently, for example, Sun Alliance and Royal Insurance merged their Australian subsidiaries, and Prudential sold its Canadian general insurance side to General Accident.

The deals reflect an increased tendency for the UK's composite insurers to join forces or co-operate in rationalising their interests in markets, typically those in the Commonwealth, where individually they lack significant market share.

And at a time of worldwide capital shortage, they also reflect the increasing popularity among insurers worldwide of alliances as a means of expanding abroad.

Mr Richard Gamble, chief executive, described the Australian deal as "another step in Royal's strategy to operate overseas when appropriate, through joint ventures in collaboration with partners."

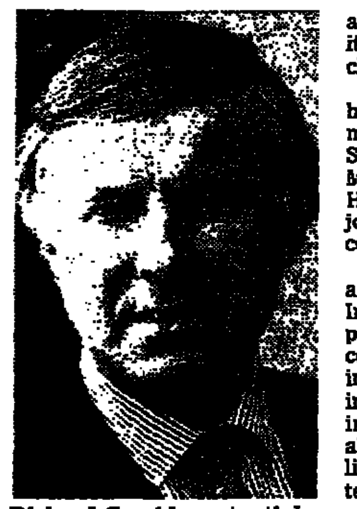
Royal, which joined forces with Aaachener and Muenchener, of Germany and Fondiaria of Italy, to form a European joint-venture last year called EPIC, is particularly keen on the idea, partially because of the weakness of its own capital base, which has been eroded by heavy losses in recent years.

EPIC, based in Rotterdam, pools together the non-domestic market operations of all three companies. The decision to sell its Dutch subsidiary, Royal Nederland, to EPIC, has provided valuable capital to boost its balance sheet at home. The Australian merger with Sun Alliance released a further £50m which can be deployed at group level.

Mr Gamble also stresses the potential economies of scale that co-operation brings. Management resources are often scarce in smaller markets, and co-operation allows companies to save in areas like information technology.

He says that improved return on capital can be obtained, pointing to the success of Royal's South African subsidiary, in which it shares ownership with Old Mutual, one of the Republic's biggest insurers.

Royal also shares – with



Richard Gamble: potential economies of scale

Commercial Union – ownership of La Republica, one of Chile's leading companies, and has joint ventures in Kenya, Malaysia and Zimbabwe.

In the past Sun Alliance, the country's strongest insurer, has been less enthusiastic about joining forces with rivals. But Mr Roger Neville, the group's chief executive, last week hinted at a change in approach. "We've tended to do it 100 per cent but times have changed," he said.

In recent years Sun Alliance has signed co-operation agreement with insurers in Japan, South Korea and China. And in May it reached agreement with Helvetia of Switzerland to jointly develop international commercial lines business.

In Australia Sun Alliance already shared with Royal Insurance ownership of a 78 per cent stake in AAMI, a successful direct writing motor insurer, as well as a marine insurance agency. Sun Alliance initially approached Royal about a merger of its Australian operations in June, and teams from both companies worked throughout the summer on the project

Neither company was big enough individually to influence general rating trends explains Mr Tony Barron, director of Sun Alliance (Overseas). The combined operation, with a market share of over 6 per cent, is in a much stronger position. Sun Alliance was particularly influenced by the increased success it enjoyed in New Zealand after it acquired the local interests there of Guardian Royal Exchange in January last year.

In a similar example earlier this year GRE chose to merge its operations in Australia with the Swiss company, Zurich Insurance. GRE owns a 25 per cent stake in the merged operation, creating Australia's fourth biggest insurer.

In Canada, the Prudential chose to sell its non-life operation to GA, which has now become the biggest insurer in the Canadian market with a share of 8 per cent.

All the companies involved are keen to stress that the deals are limited to particular markets and do not foreshadow integration of operations in the domestic market.

Commenting on the Australian deal, Mr Neville of Sun Alliance emphasised that "every territory is different and must be taken on its merits" while Royal's Mr Gamble is keen to stress the number of companies with which Royal is prepared to do business.

Even so, as competition in the 1990s gets tougher and the UK faces up to the continuing threat from Europe, the lessons learned abroad may yet have application at home.

Shepherd Neame expands 10% to over £4m

Shepherd Neame, the independent Kent brewer, raised pre-tax profits by 10 per cent from £3.68m to £4.06m in the year ended June 27, 1992, on turnover 14 per cent higher at £35.82m.

Operating profits climbed 20 per cent to £6.22m indicating the economies of scale from supplying an enlarged pub estate. Finance charges were up 27 per cent at £2.18m.

Mr Robert Neame said the increase had been achieved despite the company trading almost exclusively in the south east, where the recession had been most severe.

The Faversham-based company had leased 58 pubs from Whitbread, which offered the opportunity of increasing volume throughput without further capital outlay. Together with the purchase of other pub packages from Bass and Courage the previous year, this took the Shepherd Neame pub estate to 372.

Insurance proceeds help lift S Lyles to £1.1m

S LYLES, the yarn spinner and dyer, marginally improved its profit in the year ended June 30, but taking in a £260,000 exceptional credit the increase was 40 per cent.

Including the credit, which represented insurance proceeds arising on the death of a director, the pre-tax balance rose from £813,000 to £1.14m.

Turnover slipped from £17.1m to £16.7m reflecting a decrease both in home and export sales. Earnings per share came to 10.66p (7.42p) and the final dividend is 3.35p for a total of 4.9p (4.45p).

Mr John Lyles, chairman, said trading conditions were difficult and the "whiff of the optimism detected this spring in the home market fast disappeared. We have so far had a disappointing start to our year".

£3.65m sale by Medeva of non-core products

By Richard Gourlay

MEDEVA, one of the newest arrivals on the pharmaceuticals scene, is raising £3.65m from the sale of some of the products which it bought as part of a package from Glaxo and SmithKline Beecham earlier in the year.

"We have achieved the acquisition of the jewels without having to hang on to the others," said Mr David Lees, finance director. The "core" products being kept include Pregaday, Fefol and Feospan, which are iron supplement products for pregnant women.

The products being sold to Goldshield Pharmaceuticals and Forley have annual sales of £2.5m. The consideration represents a slightly lower multiple of sales to that obtained by Glaxo and SB when Medeva paid £18.4m for the original package.

Hoskins egm requisitioned

By Maggie Urry

Disgruntled shareholders in Hoskins Brewery, the Leicester-based real ale brewer, have requisitioned an extraordinary general meeting at which resolutions to replace two directors with two shareholders will be put.

Mr Richard Cattermole, leader of the dissident group and a 5 per cent shareholder, said he was waiting to hear from the company when the meeting would be held.

Mr Cattermole said he had circulated the group's shareholders and found a high level of dissatisfaction among them. He owns Ryan Elizabeth Holdings, which owns 45 pubs and a chain of hotels.

There has been speculation about a takeover of Hoskins by Ryan Elizabeth. In the year to March 31 Hoskins' pre-tax profits were £83,000.

Brent Chemicals $5.3m purchase

Brent Chemicals International is acquiring certain assets and the business of Chemical Systems of the US for a total of $5.3m (£3m).

If certain conditions can be met Brent will also acquire the assets and business of Chemsys's Canadian affiliate for a consideration of up to $850,000.

Sales of Chemsys in the 1991 year were $3.9m. Adjusting the pre-tax figures to reflect the change of structure under Brent's ownership would have shown profits of $900,000.

Net assets at the end of the year were $600,000.

Brent is paying $1.8m for the assets and business with a further $3.5m under a sub-contract manufacturing agreement with Chemsys and non-compete and consultancy agreements with the joint owners of Chemsys.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Air Canada (Canada)	Continental Airlines (US)	Airlines	£247m	AC group ups offer
Aeromexico (Mexico)	Continental Airlines (US)	Airlines	£232m	Joining Hurwitz group bid
HJ Heinz (US)	Wattie Foods (New Zealand)	Food	£179m	Heinz targeting Asia
General Accident (UK)	Canadian unit of Prudential (UK)	Insurance	£74m	GA improving geographic spread
Wellcome (UK)	Weigen Manufacturing Partnership (US)	Biotechnology	£13.7m	Corrects earlier report
Sage Group (UK)	Remote Control International (US)	Computer software	£3.3m	Revenue-related payments
Sage Group (UK)	Ciel (France)	Computer software	£1.4m	Mainland Europe debut
Halma (UK)	IPC Resistors/IPC Power Resistors International (US)	Resistors	£0.9m	Cash deals
Navan Resources (Ireland)/Orszagos Erces Asvanybanyak (Hungary)	JV	Mining	n/a	Transitional move for Navan
Royal Insurance/Sun Alliance (UK)	JV	Insurance	n/a	Merging Australian operations

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 13.10.92: Pool purchase price £/MWh	Final Prices for Trading on 15.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.65	17.76	17.76
0100	17.64	17.76	17.76
0130	17.65	17.71	17.71
0200	21.01	17.71	17.71
0230	28.00	17.71	17.71
0300	28.00	17.71	17.71
0330	21.01	17.71	17.71
0400	17.70	17.71	17.71
0430	17.70	17.71	17.71
0500	17.70	17.71	17.71
0530	17.65	17.71	17.71
0600	17.65	17.71	17.71
0630	17.65	17.76	17.76
0700	24.34	22.30	25.62
0730	24.37	24.70	28.08
0800	28.12	24.60	27.94
0830	28.16	24.76	28.09
0900	28.18	28.14	31.58
0930	26.48	28.16	31.60
1000	26.47	28.14	31.58
1030	26.44	28.12	31.51
1100	26.42	25.21	28.48
1130	26.42	25.30	28.60
1200	26.42	28.29	31.69
1230	26.41	28.27	31.66
1300	26.39	28.16	31.53
1330	24.67	24.75	28.00
1400	21.25	24.72	27.98
1430	21.21	22.02	22.02
1500	21.16	22.02	22.02
1530	21.25	22.02	22.02
1600	21.23	24.73	27.98
1630	24.90	24.78	28.03
1700	24.94	24.79	28.05
1730	24.94	24.77	28.01
1800	24.96	24.73	27.98
1830	32.51	24.70	27.96
1900	32.64	21.68	21.68
1930	32.62	22.00	22.00
2000	32.24	25.64	28.92
2030	32.09	28.03	31.36
2100	24.36	28.03	31.36
2130	24.35	25.62	28.91
2200	24.20	23.48	26.73
2230	24.02	23.48	26.76
2300	23.84	23.48	28.76
2330	22.17	22.30	25.58
2400	17.70	17.76	17.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-468789 between 8:30am and 5.15pm Monday to Friday.

©NGC Settlements Limited 1992

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 12, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.2111	39.5418	48.1212
Albania	(Lek)	186.85	109.589	74.4422	90.5939
Algeria	(Dinar)	35.43	20.78	14.1155	17.1781
Andorra	(Fr Fr)	8.5325	5.0043	3.3994	4.1369
	(Sp Peseta)	178.15	104.487	70.976	86.3757
Angola	(Kwanza)	979.35	574.399	390.179	474.836
Antigua	(E Carr $)	4.5860	2.6897	1.827	2.2235
Argentina	(Peso)	1.6840	0.9876	0.6709	0.8164
Aruba	(Florin)	3.0405	1.7832	1.2113	1.4741
Australia	(Aus $)	2.3620	1.3853	0.941	1.1452
Austria	(Schilling)	17.695	10.3782	7.0498	8.5793
Azores	(Port Escudo)	223.50	131.085	89.0438	108.364
Bahamas	(Bahama $)	1.7050	1	0.6792	0.8266
Bahrain	(Dinar)	0.6457	0.3787	0.2572	0.313
Balearic Is	(Sp Peseta)	178.15	104.487	70.976	86.3757
Bangladesh	(Taka)	66.15	38.7976	26.3545	32.0727
Barbados	(Barb $)	3.4160	2.0035	1.3609	1.6562
Belgium	(Belg Fr)	51.75	30.3519	20.6175	25.0909
Belize	(B $)	3.3970	1.9923	1.3533	1.647
Benin	(CFA Fr)	426.625	250.22	169.97	206.848
Bermuda	(Bermudian $)	1.7050	1	0.6792	0.8266
Bhutan	(Ngultrum)	48.10	28.2111	19.1633	23.3212
Bolivia	(Boliviano)	6.8110	3.9947	2.7135	3.3023
Botswana	(Pula)	3.6020	2.1126	1.435	1.7464
Brazil	(Cruzeiro)	11595.95	6801.14	4619.9	5622.28
Brunei	(Brunei $)	2.7330	1.6029	1.0888	1.325
Bulgaria	(Lev)	43.00	25.2199	17.1314	20.8484
Burkino Faso	(CFA Fr)	426.625	250.22	169.97	206.848
Burma	(Kyat)	11.3075	6.6319	4.5049	5.4824
Burundi	(Burundi Fr)	366.25	214.809	145.916	177.576
Cambodia	(Riel)	3397.00	1992.38	1353.39	1647.03
Cameroon	(CFA Fr)	426.625	250.22	169.97	206.848
Canada	(Canadian $)	2.1165	1.2413	0.8432	1.0261
Canary Is	(Sp Peseta)	178.15	104.487	70.976	86.3757
Cp. Verde	(CV Escudo)	106.35	62.3753	42.3705	51.5636
Cayman Is	(CI $)	1.4435	0.8466	0.575	0.6998
Cent.Afr. Rep	(CFA Fr)	426.625	250.22	169.97	206.848
[illegible]					
Fiji Is	(Fiji $)	2.5670	1.5056	1.0227	1.2446
Finland	(Markka)	7.9738	4.6767	3.1768	3.866
France	(Fr)	8.5325	5.0043	3.3994	4.1369
Fr. Cty/Africa	(CFA Fr)	426.625	250.22	169.97	206.848
Fr. Guiana	(Local Fr)	8.5325	5.0043	3.3994	4.1369
Fr Pacific Is	(CFP Fr)	153.00	89.736	60.9561	74.1818
Gabon	(CFA Fr)	426.625	250.22	169.97	206.848
[illegible]					
New Zealand	(NZ $)	3.1365	1.8395	1.2496	1.5207
Nicaragua	(Gold Cordoba)	9.1380	5.3595	3.6406	4.4305
Niger Rep	(CFA Fr)	426.625	250.22	169.97	206.848
Nigeria	(Naira)	33.35	18.45	13.2868	16.1696
Norway	(Nor. Krone)	10.2475	6.0102	4.0826	4.9684
Oman	(Rial Omani)	0.6593	0.3866	0.2626	0.3196
[illegible]					
Yemen (Rep of)	(Rial)	28.0255	16.4372	11.1655	13.5881
Yemen (Rep of)	(Dinar)	0.7900	0.4633	0.3147	0.383
Yugoslavia	(New Dinar)	347.90	204.047	138.606	168.679
Zaire Rep	(Zaire)	1988000.0	1165982	792032	963879
Zambia	(Kwacha)	334.60	196.246	133.307	162.23
Zimbabwe	($)	8.8065	5.1651	3.5085	4.2698

Special Drawing Rights October 9, 1992 United Kingdom £0.851202 United States $1.43768 Germany D Mark 2.12734 Japan Yen174.894
European Currency Unit Rates October 12, 1992 United Kingdom £0.783074 United States $1.33436 Germany D Mark 1.96751 Japan Yen161.457

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports. (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. (1) (4/10) Mauritanian Ouguiya devalued against US$ by approx. 28%.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5
Monday, October 12, 1992

STET

Letter To The Shareholders

This letter is intended to expedite and improve communication with you at a time of considerable uncertainty in national and international economies. For the telecommunications sector it happens also to be a time of opportunity and of potential for growth.

STET Group performance in first half-year, 1992

The balance sheet and profit and loss account figures for your Company and the STET Group for the first six months of 1992 indicate strength and continuing profitability.

There was a better than expected growth in traffic over our fixed telecommunications network during this period and demand for mobile telephony continued to be among the highest in Europe.

This growth trend is at odds with the behaviour of the economy at large, and is to be attributed to two factors. The first is the Group's investment strategy, which over the last few years has been targeted on strengthening the telephone network and improving the quality of the service. The second has been internal reorganisation in order fully to exploit opportunities deriving from the latest technologies.

On the one hand the Group's manufacturing activities have kept in step with service providers' investment programmes for the current financial year. On the other hand the policy of expanding these activities has been continued, with the achievement of better penetration of many foreign markets.

In publishing and value-added services, we have satisfactorily coped with the down-turn in advertising investment and the toughening of competition.

Significant data for first half-year

At a pre-tax level, half-year profit of STET SpA totalled 400.9 billion lire and the Group's consolidated profit totalled 1,566 billion.

The balance sheet of STET SpA shows stockholders' equity of 6,465 billion lire, representing 95% coverage of the net capital invested of 6,722.9 billion.

The Group's consolidated stockholders' equity of 20,260 billion lire sufficiently demonstrates STET's importance within Italy's industrial system.

The half-year results published by STET and the companies in the Group indicate that performance for financial year 1992 will be in line with the development trend established in recent years.

Specifically, the STET Group's consolidated sales in the first half-year totalled 12,526 billion lire (12.5% up on the 11,131 billion for the same period in 1991) and the gross operating profit was 6,519 billion, a 10% increase over the 5,940 billion of the first six months of 1991. Given a background of overall recession these are significant results.

At 4,632 billion lire, a high level of investment has been maintained.

The Group's workforce totalled 129,911 persons at 30 June 1992 as compared to 129,492 at 31 December 1991.

Profits and development

Projections for the full financial year 1992 indicate that STET Group sales will grow by approximately 11%.

Expected profits for the year indicate a satisfactory result in line with that for 1991, though business activity may be slightly affected by present tensions in the financial markets and additional tax burdens brought in by government measures which are still to be finalised.

1992 has indeed been a key year. It closes a period of rapid investment which began in 1988 in order to satisfy a particularly dynamic demand for new connections and also speedily to modernise the network. The phase now opening sees a settling down of demand for new connections, counterbalanced by a requirement for enhanced performances. This evolutionary scenario prompts us to an investment policy in line with our prime objective of consolidating corporate profitability.

The globalisation of economies, and the particularly crucial role now played by telecommunications in the processes of production, mean that telecommunications themselves are now undergoing radical transformation. There is a strong drive to deregulate markets and at the same time to work for progressive international integration. This should be compatible with increased diversification and the growth of services.

The major service providers in the industrialised countries are all taking up the challenge, using a wider range of instruments and vigorously entering foreign markets.

Activities abroad

In the first six months of 1992 the STET Group has duly intensified its international activities. It has set up STET International to provide it with more hands-on management of telecommunications services in foreign countries and to concentrate international shareholdings and activities in a single company. It has won the contract to operate the mobile telephone service in Greece, no small feat in the face of competition from the sector's major international service providers and operators. The management of Argentina's telephone service has achieved excellent results, including the financial results.

Telecommunications software

For large service providers, another fundamental feature of this new phase is the increasing software content in their network systems and services. There is, consequently, a need to control software development in order to stay competitive while economic activity becomes increasingly complex.

The problem of building up software resources fast enough to match the market's own rapid development has led many world-scale service providers to set up specific units to develop their own software and to acquire established software houses so as to reinforce their capabilities in the huge information technology market. An example of cooperation between service providers in this area is the joint venture by STET and Bell Atlantic which set up SODALIA to produce advanced software.

Finsiel

It had been noted for some time that our Group and the Finsiel Group had considerable complementary interests in this area, and a large number of relationships already existed. The joint setting up of Telesoft (40% Finsiel, 60% Italy's domestic telephone operator, SIP) was particularly important. This company operates in the network software business, employing 1,000 people and returning satisfactory financial results.

Having closely studied our industrial complementarity and also considering possible developments in value-added services, your Company has decided to buy IRI's shareholding in Finsiel.

The provisional buying price is the result of assessments based on sector standards and on the authoritative opinion of major merchant banks. The final price will be fixed after strict assessment procedures involving debate between the parties.

This is an important step forward, STET will acquire strong software production capacity at a crucial moment. Italian telecommunications are in the process of being unified and at the same time are strongly engaged in expanding activities abroad. This will be a highly productive investment in a company with the potential for very high profit growth.

The development of telecommunications services taking place at a difficult time for the economy is a stimulus. We must deepen our day-to-day commitment, both to corporate management and to coming up with new ideas for significant action. Our commitment must be on a par with our country's powerful demand for modernisation and renewal.

Biagio Agnes
Chairman of the Board

STET

STET – Società Finanziaria Telefonica p.a.
Registered Office in Turin – Head Office in Rome
Share Capital Lit. 4.600.000.000.000 fully paid

COMMODITIES AND AGRICULTURE

Gold tumbles while US backs are turned

By Kenneth Gooding, Mining Correspondent

EUROPEAN SPECULATORS chose the US Columbus Day holiday for a relatively successful attempt to drive down the gold price, traders and analysts suggested. Gold closed in London at $345.80 a troy ounce, down $5.05 from Friday's close.

Although the New York Commodity Exchange (Comex) was open, speculators knew it would be thinly-manned because of the holiday.

"It was the one day when Europe could sell without Comex buying in the afternoon," suggested one trader.

Ms Rhona O'Connell, analyst at Williams de Broe, part of the Banque Bruxelles Lambert group, suggested that "because they [the speculators] failed recently to push the gold price up through resistance at $352 [an ounce], they decided to push the other way".

The Europeans hoped to spark selling by the US funds, she added, and some funds did liquidate their holdings. But the gold market fundamentals were sound, Ms O'Connell insisted, and yesterday's fall was "just professionals having some fun and games".

Traders suggested the volume of gold traded yesterday was not large although some producer selling from South Africa and Australia took place as the price began to fall. The pace of gold's fall was also accelerated when some funds cut their losses at the $348 level.

Some gold producers, notably Newmont Mining of the US, have recently unwound their forward sales and hedging, gestures meant to signal they were confident the price did not have much further to fall.

However, American Barrick Resources, the Canadian group, announced at the weekend it had completed a 1m-ounce, ten-year gold hedging facility that allowed it to receive $450 an ounce for gold sold forward under spot deferred contracts.

Mr Andy Smith, analyst at Union Bank of Switzerland, suggested that this news may not have helped the market psychologically.

He suggested that the uncertainties associated with the US presidential election might help the gold price in the next few weeks, "but after that you can't be too optimistic".

Ms O'Connell said that $345.50 was an important chart resistance point for gold and if the price broke through that level it might go to $343.

Some traders went even further and suggested a fall below $345.50 might trigger substantial liquidation of US fund holdings and a drop to $338 an ounce.

At $350 an ounce about one third of gold production outside the former eastern bloc is unprofitable, S.G. Warburg Securities, the financial services group, points out in its latest International Mining Outlook.

It is forecasting "only modest price improvement and volatility over the next two years". Warburg suggests the gold price will average $345 an ounce this year, move up to $370 in the first half of 1993 and to $380 in the second half.

Russia plans to streamline oil sector

By Chrystia Freeland in Moscow

RUSSIA'S OIL industry, second in size only to that of Saudi Arabia, is on the verge of a major reorganisation that could admit more private investment. Last week Russian oil industry and government officials approved the draft of a plan to restructure the oil sector into a handful of vertically integrated joint-stock companies under the aegis of a single super-trust, tentatively named Rosneft.

According to the programme, which still has to be approved by Boris Yeltsin, the Russian president, Russia's 40-odd self-financing oil producing groups would be marshalled into a limited number of integrated "well-to-pump" trusts by December 1. A controlling packet of 49 per cent of the shares in each trust would be placed in the hands of Rosneft, allowing the government to retain effective control.

"It is impossible not to worry that the momentum for change will be lost during the transitional period the programme outlines," said Mr Peter Cameron, a European energy expert who was in Moscow to hold a workshop for Russian oil and gas specialists.

The draft programme, which stipulates that foreign and domestic private investors may purchase shares in the new trusts, is being billed in Russia as a three-year transitional step which would prepare the oil industry for more far-reaching privatisation.

However, the immediate effect of the plan would be to beef up centralised control and curb the autonomy Russian oil producers, most of them in distant Siberia, have enjoyed in the chaotic months since the collapse of the Soviet Union. According to the draft plan, the government would guide overall policy, control exports, and have the right to block take-overs. Rosneft, the super-trust, would not have the right to dispose of its shares.

"The repercussions of radical change are frankly frightening them," said Mr Cameron, citing the Russian government's fear of unemployment, higher prices and a dilution of central authority. "This may be the best that they can do for the moment."

For Mr Viktor Chernomyrdin, deputy prime minister responsible for the petroleum sector, the programme represents a delicate balancing act between Siberia's powerful oil barons and Moscow's Fuel and Energy Ministry.

"By no means should we impose it [the program]," he told journalists. "The principle is that it must profit the producers and the whole country."

The Russian oil industry, potentially an engine for economic recovery, is collapsing almost as quickly as the rest of the economy.

Figures published over the weekend in Delovoy Mir, a Russian business newspaper, indicate that oil output fell by 14 per cent in the first eight months of the year and the government predicts that in 1992 Russia will average 8m barrels a day, down 1m b/d from 1991.

Moreover, western investors have been wary of Russia, preferring the warm welcome and clear lines of command in other former Soviet republics such as Kazakhstan and Azerbaijan.

"It is remarkable that a country with as much oil and gas as Russia cannot conclude a single major contract with a big Western company," said Mr Cameron. He said that western oil men were reluctant to finalise deals in Russia because of uncertainty about who actually controlled the oil wells.

The reorganisation of the oil industry into trusts might open a window of opportunity for western investors, but Mr Cameron predicted that they could be reluctant to commit substantial funds into companies in which the government retained a dominant voice.

Mr Cameron said that the promotion of 54-year-old Mr. Chernomyrdin, who won a reputation as a tough manager in his days as the head of Russia's gas monopoly, to the top job in the Fuel and Energy Ministry, had strengthened the hand of the conservatives.

"There are indications of a growing conservatism [in the oil industry], based on social and political concerns rather than economic ones," he said.

Think-tank urges energy conservation

By Leyla Boulton in Moscow

A RUSSIAN think-tank yesterday warned against throwing money at Russia's ailing oil and gas industry without tough energy conservation measures and savage structural reforms to privatise or close down loss-making enterprises.

The report, produced for the Russian Foreign Policy Foundation by experts including Mr Andrei Konoplyannik, a deputy energy minister, also lays great stress on the need for energy conservation, saying that 40 per cent of energy produced in 1991 had been wasted. While national output had fallen by 7.5 per cent, oil consumption had decreased by only 2 per cent. Expectations that resources would be freed up for additional exports had also proven unfounded.

It forecast that oil production this year would fall to 380m tonnes, an even gloomier figure than the 398m tonne estimate by Mr Viktor Chernomyrdin, the deputy prime minister responsible for energy policy. Although the gas sector is generally considered more stable than oil, production could fall 10 to 12 per cent over the next year after showing no growth in 1991 unless urgent (but unspecified) action was taken.

While stressing the importance of foreign capital both for Russia's oil and gas industry, and the West, which would promote secure supplies and stability within Russia, the report says that foreign investment which focussed exclusively on oil production would be a catastrophe. Unless foreign capital flowed to a broad range of sectors (including conservation), oil reserves would be rapidly exhausted without sufficient compensation for the country as a whole.

Safety fears may force closure of Ekofisk tank

By Karen Fossli

THE NORWEGIAN Petroleum Directorate, the oil industry watchdog, is considering an order to close the main processing and transportation facilities on the tank in the giant 10-platform Ekofisk field by the winter of 1995-96 for safety reasons.

Phillips Petroleum Norway is the operator of Ekofisk, a major part of the world's biggest oil and gas transportation system, and holds a 37 per cent stake in the field. Petrofina holds a 30 per cent stake and Agip has 13 per cent.

Oil is processed and transported via Ekofisk to Teesside, England, and gas to Emden, Germany. Mr Jan Hagland, an NPD official, said that about 40 per cent of Norway's petroleum production was transported via Ekofisk facilities.

The directorate said ageing technical equipment combined with inadequate maintenance were the main causes for its concern and that subsidence of the field had contributed to a worsening of the situation. It added that studies carried out by Phillips also revealed safety-related deficiencies on the installation.

Phillips and its partners have three weeks to reply to the NPD, which said that further modifications to facilities would not sufficiently compensate for continued deterioration in the situation.

Mr Hagland said the NPD thought there was time for Phillips and other licence holders to establish new, similar capacity to avoid permanent closure of the field.

In 1987 Phillips and partners invested NKr4bn (£395m) to jack up the steel platforms in the field's centre to secure them against the consequences of subsidence, which is thought to be caused by a drop in the pressure in the field's two reservoirs.

In 1989 a protective concrete wall was installed around the Ekofisk tank to enhance safety, and a major water injection project is under way to increase recoverable reserves beyond the year 2011, when the group's licence in the field expires.

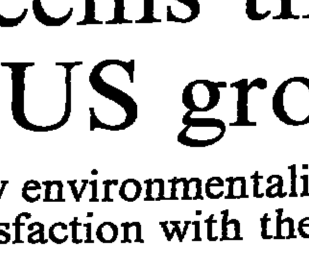
Phillips said it was studying changes to the existing Ekofisk processing and transportation system and to this end would respond to the NPD within the stipulated period.

The oil ministry, which oversees licensing of fields, has not yet received a request from Phillips to extend its licence beyond the year 2011, but analysts said this would be necessary if the group was to make significant investments to meet the NPD's demands.

Bush seems the lesser evil to US growers

Fear of runaway environmentalism is likely to outweigh dissatisfaction with the president

FARMER'S VIEWPOINT



By David Richardson

VIRGINIAN CROP farmers are generally speaking rather "laid back"; at least they are when they discuss the size of their crops. They become quite animated when they turn to sport but I was not in the US last week to talk about ball games.

All of the farmers I visited were busy combine harvesting corn, or maize as we call it in the UK. Most crops were yielding exceptionally well and even my most reticent hosts admitted to bringing in more than five tonnes an acre (12.5 tonnes a hectare). But the only sign of satisfaction was the occasional lazy smile followed by a remark to the effect that the big crops were causing storage problems.

These are the kinds of problems farmers dream about, and it was as clear as the leaves on the trees that cloak the slopes of the magnificent Shenandoah that those who farmed the land between them were moderately optimistic, in spite of the troubled US economy.

Harvest has not been as good across the whole of the US, however. Some dry-land wheat areas once again had severe drought conditions during a crucial period in the growing season and crops in those states were disappointing. The total US yield of what this year has, in fact, been estimated at about the same as last year's and carryover stocks remain tight. It was announced some time ago that there would be no land set-aside requirement for US wheat growers in 1993.

American maize, on the other hand, seems set to yield 30m to 35m tonnes more than last year at 220m to 225m tonnes and stocks will be increased significantly. In spite of this some US grain exporters pleaded with Mr Ed Madigan, the agriculture secretary, of not to impose set-aside on the crop next year on the grounds that world demand would increase and reduced production would inhibit their ability to export.

Mr Madigan ignored their requests and a few days ago announced that to qualify for loan rate subsidies in 1993 US farmers will have to set-aside 10 per cent of their maize acreage. As well as cutting supplies, of course, the move will also harden prices, which may not be entirely divorced from the coming presidential election and, if the opinion polls are accurate, the somewhat desperate requirement of President George Bush for all the farm votes he can get.

Traditionally most farmers do vote Republican. But along with the rest of the electorate the sector has recently become disillusioned with the president' s apparent inability to control the economy. They are even more fed up, however, with the mass of petty, expensive, environmental regulations sent down from Washington recently and there have been rumblings of discontent in rural areas.

Mr Bush's response has been to launch a beefed-up Export Enhancement Program for US grain, which will effectively dump almost 30m tonnes on to world markets. Quite how this fits in with US ambitions to get a quick settlement on the General Agreement on Tariffs and Trade, also for electoral reasons, is not entirely clear. The cost to the US treasury, incidentally, will be around $1bn.

In addition the president has overturned the recommendations of his Environmental Protection Agency by backing farmers' calls for ethanol, an extender or replacement for petrol manufacture from either grain or sugar, to be encouraged as a "green" alternative to fossil fuel. The agency had said that ethanol, while being lead free and therefore desirable from that viewpoint, could cause air pollution because of other chemicals in its make-up if used in large conurbations.

By personally approving this alternative market for farm crops the president has shown that he takes US farmers seriously even though they account for only about 2 per cent of the electorate.

But would many farmers have voted for Bill Clinton or Ross Perot anyway? A poll of farmers conducted by Farm Futures magazine before most of the above measures were announced indicated that 53 per cent favoured Mr Bush, 32 per cent would vote for Mr Clinton and 15 per cent were undecided. At the time it was not clear whether or not Mr Perot was intending to run.

And while there is little enthusiasm on farms, even after the recent financial sweeteners, for four more years under Mr Bush, there is a real fear that a Clinton-Gore administration would make life more difficult for farmers.

For although Mr Clinton has said very little about agriculture during his campaign, and even less in his policy proposals, it is expected, should he win, that Al Gore, his running mate, will be put in charge of the environment. That, farmers believe, will lead to even more regulations and interference in their affairs, which they detest. For Al Gore is seen as a loony leftist on the environment. His views were expressed in a book first published a couple of years ago, entitled Earth in the Balance. It has been described by Mr Fred Smith of the US Competitive Enterprise Institute as "a kind of *Mein Kampf* of the environment movement".

In his book Gore said, for instance that "the time has long since come to take more political risks – and endure much more political criticism – by proposing tougher, more effective solutions [to perceived environmental problems] and fighting hard for their enactment". He wrote of "our ecological system crumbling as it suffers a powerful collision with the hard surfaces of a civilisation speeding towards it out of control".

The book contained much more in like vein and as the Clinton-Gore bandwagon has rolled onward and upward it has entered the best seller lists across the US. Many copies have undoubtedly been bought by farmers who now fear that they may be easy targets for extremist environmental protection measures by a new Democratic presidency. But one farmer summed up the more general feelings of many when he told me: "I'm fed up with Bush; I don't trust Clinton and Perot is a joke. To tell the truth I'd rather abstain. But I guess on the day I'll hold my nose and vote for Bush".

If the opinion polls are even close to being right that will not make much difference. "Slick Willy" Clinton will become president. But only one poll counts and that's the one on November 3. And as an American television presenter said the other evening: "It ain't over till the fat lady votes".

WORLD COMMODITIES PRICES

MARKET REPORT

TIN came under heavy selling pressure on the London Metal Exchange. The market slumped to five-month lows at the close and further declines seem likely. Persistent liquidation, and merchant and Chinese selling meant there were very few buyers, dealers said. Available supplies are more than adequate to meet current depressed demand, and physical market premiums have contracted recently. Charts are weak and the next major objective is $5,800 a tonne for three-month metal. **NICKEL** was also in retreat, dropping to new 32-month lows. Dealers said lack of significant production cuts and plentiful supplies of Russian metal in Europe continued to weigh on the market. **COPPER** closed above earlier lows, but showed little inclination to rally, given sluggish fundamentals and expectations of further stock rises. **ALUMINIUM** edged away from earlier lows in late trading on some option-linked buying, although the market remained easier as consumers were unwilling to chase three-month metal up to $1,200 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.75-8.85z	+.125
Brent Blend (dated)	$20.75-0.85	+0.05
Brent Blend (Nov)	$20.80-0.90	+.025
W.T.I (1 pm est)	$22.20-2.30z	-.025

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$222-223	
Gas Oil	$204-205	+2
Heavy Fuel Oil	$102-104	
Naphtha	$195-197	+3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$345.80	-5.05
Silver (per troy oz)♣	376.5c	-3.0
Platinum (per troy oz)	$357.20	+1.20
Palladium (per troy oz)	$96.00	+1.25
Copper (US Producer)	105.0c	
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	15.39r	
Tin (New York)	281.5c	-7.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.79p	+2.10*
Sheep (live weight)†♠	75.62p	+2.03*
Pigs (live weight)†	82.40p	+4.75*
London daily sugar (raw)	$226.0w	-0.5
London daily sugar (white)	$263.0w	-0.5
Tate and Lyle export price	£241.0	-1.5
Barley (English feed)	£132.75t	
Maize (US No. 3 yellow)	£140.0	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	58.00p	-0.25
Rubber (Dec)♥	57.75p	-0.50
Rubber (KL RSS No 1 Oct)	223.5m	
Coconut oil (Philippines)§	$500.0y	+5.0
Palm Oil (Malaysian)§	$407.5	
Copra (Philippines)§	$315.0	
Soyabeans (US)	£146.0z	
Cotton "A" Index	53.30c	-0.40
Woollops (64s Super)	413p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg.t-Jan/Mar y-Nov/Dec u-Oct. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	194.00	194.00	192.00
Mar	195.00	193.00	192.60
White	**Close**	**Previous**	**High/Low**
Dec	258.00	255.80	257.00 255.50
Mar	257.50	255.50	256.20 255.00

Turnover: Raw 30 (48)lots of 50 tonnes. White 272 (307) Paris- White (FFr per tonne): Dec 1296.82 Mar 1327.62

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	20.83	20.90	20.89 20.80
Dec	20.84	20.90	20.89 20.80
Jan	20.78	20.84	20.82 20.74
Feb	20.67	20.69	20.68 20.65
Mar	20.52	20.57	20.55 20.50
IPE Index	20.70	20.54	

Turnover 24787 (47517)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	194.75	194.75	195.25 194.00
Nov	198.50	198.75	199.25 197.75
Dec	200.75	200.75	201.00 200.00
Jan	200.75	200.75	201.00 199.75
Feb	196.00	196.00	196.25 195.75
Mar	189.50	189.25	190.75 189.00
Apr	184.00	183.75	184.50 184.00
May	181.00	181.00	181.00 180.50
Jun	179.00	179.50	179.00

Turnover 29764 (28318) lots of 100 tonnes

TEA

There were 17,888 packages for the day, reports the Tea Brokers' Association. Demand was good. Landed medium and better quality Assams were well supported at fully firm to dearer rates, but plainer sorts came to an an easier market with some withdrawals. Brighter liquoring East Africans sold well at firm to dearer rates. The remainder were barely steady. Offshore: fair demand with brightest descriptions dearer. The highest price realised this week was 210p for three Assam pfs. Quotations quality 170p, good medium 138p, medium 124p, low medium 83p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	656	661	664 665
Mar	682	687	690 681
May	700	705	708 698
Jul	718	723	724 718
Sep	736	741	741 736
Dec	757	767	764 762
Mar	785	790	790 781
Sep	839		840

Turnover: 5240 (4631) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Oct 9 745.77 (759.56) 10 day average for Oct 12 756.91 (755.25)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	846	843	850 836
Jan	857	856	861 846
Mar	868	867	874 860
May	863	864	872 860
Jul	868	868	877 867
Sep	877	880	879

Turnover:1783 (2302) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Oct 9: Comp. daily 52.07 (50.84) 15 day average 49.20 (48.89)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	61.8	61.1	63.0 61.5

Turnover 82 (16) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	-	135.00	

Turnover 0 (30) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1085	1085	1087 1085
Nov	1137	1133	1140 1135
Dec	1135	1130	1140 1135
Jan	1185	1180	1185 1181
Apr	1220	1220	1221 1220
BFI	1039	1038	1039

Turnover 57 (56)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	123.85	124.25	124.00 123.85
Jan	126.70	127.25	127.35 126.40
Mar	129.70	130.25	130.35 129.50
May	132.35	133.00	132.90 132.35
Jun	133.75		133.75
Nov	106.25	106.00	106.25
Barley	**Close**	**Previous**	**High/Low**
Nov	122.20	122.70	122.20
Jan	125.85	126.50	126.00 125.85
Mar	128.75	129.60	128.90 128.75

Turnover: Wheat 207 (703). Barley 82 (196). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	105.0	104.0	104.5
Feb	102.0	101.0	101.0

Turnover:3 (8) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 41,054 lots	
Cash	1169-70	1185.5-6.5		1169-9.5		
3 months	1190-1	1208.5-9	1198/1188	1192-2.5	1192-3	192,064 lots
Copper, Grade A (£ per tonne)					Total daily turnover 30,513 lots	
Cash	1319.5-21.5	1337-8	1328/1328	1325-6		
3 months	1352-4	1369-70	1362/1353	1357-7.5	1352-3	148,445 lots
Lead (£ per tonne)					Total daily turnover 2,414 lots	
Cash	317-8	319.5-21.5	320.5	320.5-1		
3 months	330-1	332-2.5	333/331	333-3.5	330-1	25,944 lots
Nickel ($ per tonne)					Total daily turnover 5,137 lots	
Cash	6455-60	6610-20	6540/6535	6540-1		
3 months	6530-3	6665-90	6680/6530	6617-20	6555-65	28,690 lots
Tin ($ per tonne)					Total daily turnover 2,753 lots	
Cash	6115-20	6240-60		6150-60		
3 months	6185-90	6305-10	6315/6130	6215-20	6125-30	10,930 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 14,376 lots	
Cash	1179-81	1179-80		1176-7		
3 months	1190-1	1191-2	1189/1179	1188-9	1190-1	66,979 lots

LME Closing £/$ rate: SPOT: 1.7050 3 months: 1.6932 6 months: 1.6625 9 months: 1.6467

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	345.60-346.00	
Opening	350.10-350.40	
Morning fix	348.10	204.284
Afternoon fix	346.50	203.644
Day's high	350.20-350.60	
Day's low	345.10-345.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.64	6 months	1.78
2 months	1.66	12 months	1.99
3 months	1.68		

Silver fix	p/troy oz	US cts equiv
Spot	220.50	374.40
3 months	225.05	377.15
6 months	229.40	380.15
12 months	237.70	386.75

GOLD COINS

	$ price	£ equivalent
Krugerrand	346.00-349.00	201.00-203.00
Maple leaf	356.10-358.35	-
New Sovereign	84.00-86.00	48.00-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1150	32	62	5	12
1200	6	32	29	31
1250	3	13	73	62
Copper (Grade A)	**Calls**		**Puts**	
2200	72	107	7	25
2300	15	50	50	66
2400	3	19	135	134
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
800	48	74	3	17
850	14	44	19	37
900	2	25	57	68
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	41	76	10	19
650	25	60	19	28
675	15	46	34	39
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000	90		1	11
2050	41	60	1	24
2100	2	32		50

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	345.2	350.4	346.8	345.2
Nov	345.3	350.6	0	0
Dec	346.1	351.4	347.8	345.8
Feb	347.2	352.6	349.0	347.0
Apr	348.1	353.7	350.0	347.8
Jun	349.3	355.0	351.0	349.8
Aug	350.7	356.5	0	0
Oct	352.3	358.1	0	0
Dec	353.9	359.7	355.8	354.7

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	357.1	357.8	359.0	356.0
Jan	355.1	355.9	357.5	354.0
Apr	353.6	354.4	354.5	352.5
Jul	353.6	354.4	0	0
Oct	356.6	357.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	373.2	375.8	0	0
Nov	373.7	376.3	0	0
Dec	375.2	377.8	376.5	374.0
Jan	376.4	379.0	0	0
Mar	378.8	381.4	380.0	377.5
May	381.2	383.8	382.5	381.5
Jul	383.6	386.2	0	0
Sep	386.1	388.7	0	0
Dec	390.1	392.7	390.0	390.0
Jan	391.3	393.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	99.65	100.75	100.35	99.45
Nov	99.90	101.15	100.00	99.70
Dec	100.45	101.60	101.20	100.20
Jan	100.95	102.05	101.20	100.85
Feb	101.40	102.45	101.50	101.50
Mar	101.85	102.85	102.30	101.70
Apr	102.10	103.00	0	0
May	102.55	103.35	103.00	102.50
Jun	102.85	103.55	103.00	103.00
Jul	103.05	103.65	103.40	103.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	22.30	22.37	22.33	22.22
Dec	22.22	22.30	22.27	22.16
Jan	22.11	22.18	22.15	22.06
Feb	21.98	22.05	22.00	21.93
Mar	21.82	21.89	21.84	21.78
Apr	21.68	21.75	21.67	21.63
May	21.55	21.62	21.56	21.52
Jun	21.44	21.51	21.43	21.42
Jul	21.34	21.41	21.35	21.32
Aug	21.24	21.31	21.25	21.22

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	65.48	65.89	65.75	65.15
Dec	66.07	66.52	66.35	65.85
Jan	66.22	66.56	66.45	66.00
Feb	65.20	65.34	65.20	64.80
Mar	62.55	62.65	62.50	62.30
Apr	60.40	60.40	60.30	60.15
May	58.95	58.90	0	0
Jun	58.00	57.90	57.80	57.80
Jul	57.75	57.65	57.65	57.65
Aug	58.30	58.20	58.25	58.00

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	978	970	979	962
Mar	1027	1017	1028	1012
May	1056	1046	1057	1055
Jul	1084	1076	1079	1079
Sep	1114	1106	0	0
Dec	1147	1139	0	0
Mar	1185	1177	1182	1182
May	1215	1207	0	0
Jul	1252	1244	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	61.80	62.25	62.50	61.25
Mar	63.40	63.85	64.00	62.80
May	66.90	67.25	67.35	66.20
Jul	68.25	68.40	68.80	68.30
Sep	70.25	69.75	70.50	69.65
Dec	72.65	72.06	73.00	72.00
Mar	74.00	74.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.70	8.66	8.70	8.58
May	8.81	8.72	8.82	8.70
Jul	8.85	8.75	8.85	8.74
Oct	8.84	8.89	8.71	8.70
Mar	8.85	8.78	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	53.44	51.95	53.65	51.61
Mar	53.43	52.38	53.48	52.00
May	53.95	53.00	54.00	52.60
Jul	54.40	53.80	54.50	53.20
Oct	55.00	54.82	55.00	54.60
Dec	55.40	55.01	55.40	54.80

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	98.90	98.60	99.50	96.10
Jan	97.10	98.30	97.75	95.25
Mar	98.05	99.05	98.50	96.25
May	99.05	100.00	99.50	97.25
Jul	98.40	99.25	99.00	98.00
Sep	98.20	99.25	0	0
Nov	98.20	99.25	0	0
Jan	98.20	99.25	0	0
Mar	98.20	99.25	98.00	98.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 10	Oct 9	mnth ago	yr ago
1591.5	1590.9	1528.6	1620.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 9	Oct 8	mnth ago	yr ago
Spot	113.92	113.75	118.03	114.18
Futures	114.84	114.85	114.46	123.31

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	536/6	532/6	539/4	530/0
Jan	542/0	537/6	544/4	535/6
Mar	549/2	544/2	550/6	541/4
May	556/0	551/4	558/0	549/4
Jul	563/4	559/2	565/4	557/4
Aug	567/4	562/0	568/2	562/0
Sep	566/0	562/4	567/0	566/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.65	18.43	18.66	18.35
Dec	18.86	18.68	18.88	18.58
Jan	19.05	18.85	19.06	18.73
Mar	19.27	19.07	19.29	18.96
May	19.45	19.29	19.45	19.20
Jul	19.66	19.53	19.66	19.63
Aug	19.70	19.55	19.70	19.65
Sep	19.80	19.61	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	178.1	178.0	179.0	176.5
Dec	180.9	181.2	181.8	180.0
Jan	181.9	181.9	182.6	181.0
Mar	182.4	182.4	183.2	181.5
May	182.8	182.9	183.5	181.7
Jul	184.6	184.4	185.2	183.7
Aug	185.2	186.1	185.7	184.7
Sep	186.2	186.1	186.5	185.7

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	209/6	208/2	210/2	208/0
Mar	217/6	216/6	218/2	216/4
May	223/4	223/0	224/2	222/4
Jul	228/6	227/6	228/6	227/2
Sep	231/6	231/4	232/0	231/0
Dec	236/0	235/0	235/0	233/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	352/0	341/4	352/4	344/0
Mar	350/0	341/6	350/2	343/4
May	337/6	332/0	338/4	334/0
Jul	316/6	314/0	317/4	314/0
Sep	322/4	319/4	322/4	320/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	76.100	75.825	76.200	75.900
Dec	74.475	73.675	74.500	73.825
Feb	71.875	71.325	71.900	71.425
Apr	72.750	72.275	72.850	72.300
Jun	68.800	69.250	69.600	69.200
Aug	68.500	68.050	68.550	68.100

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	43.575	42.575	43.700	42.800
Dec	44.650	43.300	44.750	43.425
Feb	43.575	42.525	43.600	42.825
Apr	41.675	40.825	41.700	41.000
Jun	46.325	45.700	46.325	45.800
Jul	45.600	45.250	45.700	45.350
Aug	44.375	43.950	44.375	44.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	41.300	39.300	41.300	38.700
Mar	41.125	39.150	41.150	39.600
May	42.550	40.600	42.550	42.000
Jul	42.750	40.750	42.750	41.200
Aug	41.075	39.950	41.075	40.000

هكذا وجدت بالأصل

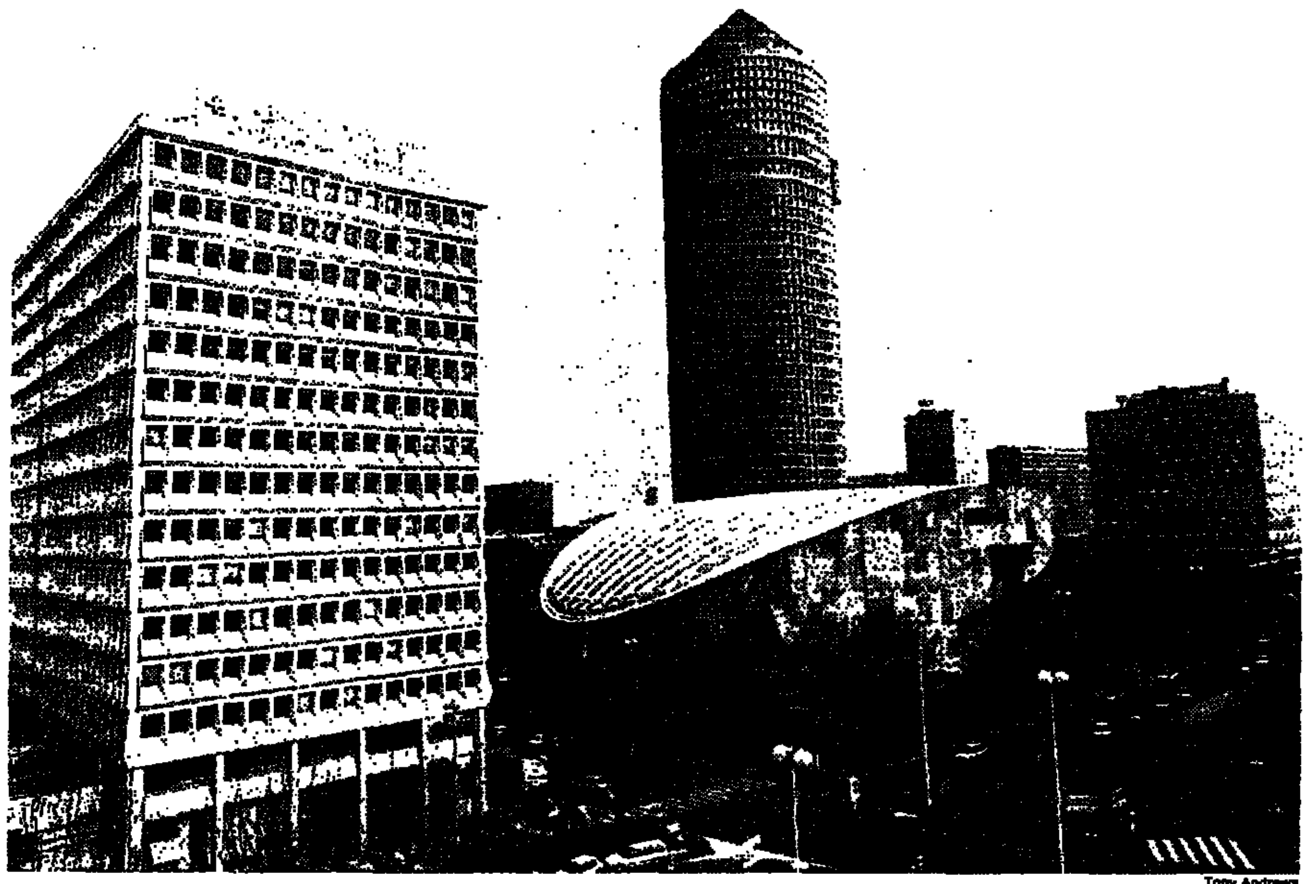
FINANCIAL TIMES SURVEY

European Finance and Investment: **France**

Tuesday October 13 1992

The short-term problems of an economic slowdown and political uncertainty ahead of legislative elections pale beside the need to secure France's future as a vibrant and well-capitalised financial centre. **Alice Rawsthorn** reports

Pensions and privatisation



Tony Andrews

The commercial district of Lyon, with the offices of Banque Populaire (left) and Crédit Lyonnaise (right)

THE very best brains in the French civil service reputedly almost always find their way to the finance ministry at Bercy in eastern Paris.

The Bercy bureaucrats are even busier than usual these days as they labour away on two areas of immense importance to France's financial sector – privatisation and pension reform.

The French government has since last autumn been working on plans to sell off part of its holdings in France's state-controlled companies and on liberalising the pension system. These legislative initiatives will, France's bankers and brokers hope, provide a sorely needed stimulus for the entire financial system.

France's financial sector has just emerged from a period of radical reform. The old rules and rituals that had regulated banking, broking and insurance have been overhauled. Closed markets have been opened. State-of-the-art technology has been introduced. The old *agents de change* who used to populate the Paris stock market have been chased away by the securities subsidiaries of the big French banks and global financial groups.

In theory, the French system ought to be operating as a thoroughly modern market. But in practice its progress is still impeded by the lingering legacy of the old government controls over finance and industry. These controls stem not only from the state's direct holdings in the big industrial groups but from its indirect influence as an investor in the state-controlled banks and insurers, and finally from its stranglehold over the pension system.

The socialist government, led by Mr Pierre Bérégovoy, first in his old role as finance minister and latterly as prime minister, is committed to dismantling those controls. President François Mitterrand led the way last autumn by announcing a new policy of partial privatisation. Mr Bérégovoy followed by heralding the long-awaited reform of the pension system which would supplement the old state-administered scheme with a new private pension programme.

"The French financial sector has already gone through a period of dramatic change," says Mr Michel Albert, chairman of Assurances Générales de France (AGF), one of the largest state-controlled insurers. "In many respects Paris has gone much further in its reforms than London, certainly further than New York or Tokyo, because, before the reforms, finance in France was seen as part of the state's domain. It had nothing to do with the market. Privatisation and pension reform will continue the process."

One reason why French financiers are so eager to loosen the state controls is that, in sectors such as insurance and banking, they make it more difficult for French companies to compete in increasingly competitive and international markets.

So far, France's insurers and banks have emerged relatively unscathed from the global economic slowdown. They have been affected by the sluggish state of the French economy, specifically by its impact on their industrial investments and property holdings. Both sectors have produced a series of lacklustre interim results this autumn, reflecting competitive market conditions and hefty rises in provisions on bad debts and risky property investments.

But the French insurance and banking groups have been spared the financial crises that have beset their counterparts in more vulnerable markets, notably the US and UK. The only leading group whose future is in question is Crédit Lyonnais, the state-controlled bank, which has been clouded by controversy over its ambitious international expansion and aggressive lending policy.

The Crédit Lyonnais strategy may appear audacious in a French context, but it almost seems sheepish compared with some of its more aggressive Anglo-Saxon counterparts. France's insurers and banks are well placed to continue their expansion, albeit at a gentler pace than in the 1980s, at a difficult time for their competitors.

However there is concern that, in the long term, their international ambitions could be inhibited by state controls. The nationalised insurers – Union des Assurances de Paris (UAP) and the GAN Group, as well as AGF – feel they are at a commercial disadvantage in that they cannot tap the markets for capital and have to finance their expansion internally. As state-controlled companies they are also unable to invest in the US market.

There is also the risk of conflict between the state's expectations of the nationalised banks, Banque Nationale de Paris (BNP) and Crédit Lyonnais, and the international regulations on issues such as capital standards, with which they must comply. The banks come under criticism from international banking analysts for the arrangements whereby they "voluntarily" take stakes in other state-controlled concerns. These deals are not always to the banks' disadvantage. Crédit Lyonnais has used them to extend its equity base and finance its expansion. But they do perpetuate the image of French banking as an industry trapped in tradition.

However, the real impact of the state's influence over industry and the pension system is its effect on the French stock market which, despite the reforms of recent years, still suffers from poor liquidity because of the shortage of equity and investment. The liquidity problem has caused serious difficulty for France's stockbrokers, almost all of whom made losses last year.

One of the chief causes of the equity shortage is that so many large companies – 20 per cent of French industry – are government-owned. Similarly, the state's stranglehold over pension provision means that the Paris stock market does not have the same influx of investment from private pension schemes as its counterparts in London and New York. French pensions are paid by the Caisse de Retraite on a cash management basis from money received from those in work. This means that private pension funds are virtually non-existent, representing just 10 per cent of the Paris market against 60 per cent in London.

These problems should be alleviated over the long term by the combination of privatisation and pension reform. The socialists have already begun both programmes although, so far, their progress has been slower than the financial sector – and the politicians – had originally hoped.

Partial privatisation started with the sale of minority stakes in Elf Aquitaine and Total, the oil groups, and the Crédit Locale de France bank. The government also hopes to float holdings in several other companies, including the insurers, but ironically, its plans have been hampered by the depressed state of the stock market.

However Mr Bérégovoy and Mr Sapin, his successor as finance minister, are still committed to partial privatisation and will undoubtedly revive their plans as soon as the market recovers. In the long term, it is expected that privatisation will be extended to the banks. The programme is expected to accelerate if the conservatives oust the socialists in next spring's legislative elections.

Mr Bérégovoy has also been stymied in his plans for pension reform. The French government, whatever its politics, has no option but to revise the pension system, which was conceived in the post-war period when France's growing young workforce was easily able to pay pensions for the retired population.

The system has come under strain as the population has aged and the situation is set to worsen. By the year 2020 there will be more people drawing pensions than there will be in work to pay for them. The obvious solution is to supplement the state system with private pensions, as other countries have done.

Some progress has been made. Mr Bérégovoy recently announced the launch of a *plan d'épargne de retraite* pension savings scheme. However, his hopes of tabling more ambitious proposals, possibly by introducing corporate pension schemes, have been hindered by the opposition of the trade union lobby, which has campaigned against any relaxation of the state's responsibility for pension provision.

The Bercy bureaucrats have also baulked at the logistical difficulties of pension reform, notably the problem of persuading the French electorate to pay extra money for private pensions at the same time as they are already funding the state scheme.

"There is no easy answer," says Mr René de la Serre, chief executive of the Crédit Commerciale de France banking group, who is an enthusiastic advocate of pension reform. "This is a complicated issue, but one thing is certain, in 15 or 20 years France will have the benefit of its own private pension funds."

Fifteen years seems a long time to wait, but the consensus among France's financiers is that it will be worth it. The short-term problems of the economic slowdown and the political uncertainty ahead of next spring's legislative elections pale beside the need to secure France's future as a vibrant, well-capitalised financial centre.

IN THIS SURVEY

Alice Rawsthorn reports on the launch and likely impact of a new type of insurance business

Challenge to the agents' networks

THERE is a shiny new suite of offices in Nanterre, a sprawling suburb to the west of Paris, where a team of people have been beavering away on the launch of a brand, new business - Direct Assurance.

Direct Assurance is a subsidiary of Axa, the second largest French insurance firm. It has been set up specifically to sell a narrow range of insurance policies by direct marketing, rather than through the national network of agents that sell Axa's usual portfolio of insurance products.

For Axa the new company represents the culmination of two years of planning and preparation. "This is an important project for us," says Mr Gérard de la Martinière, chief executive of Axa. "At the moment we are operating on a small scale, but if Direct Assurance succeeds it could eventually become an important part of our business."

Direct Assurance also has implications for the rest of the FFr449.2bn French insurance industry. Its success might catalyse radical changes in the whole French insurance market.

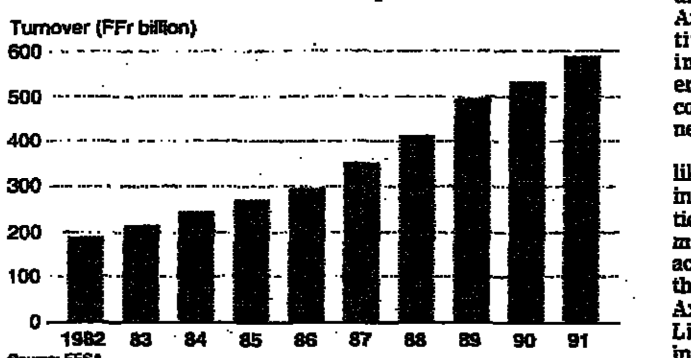
At present the industry is dominated by networks of agents, who deal exclusively in the products of particular companies. This means that it takes a long time, and lots of money, for newcomers to build up the necessary networks in order to establish themselves in the French market. As a result the agency system has helped protect the big French insurers - which include state-controlled companies such as Union des Assurances de Paris (UAP), Assurances Générales de France (AGF) and the GAN Group, as well as Axa - against competition within France and from their competitors in other countries.

All that could change if Axa establishes the principle of direct insurance sales. It would then become much easier and cheaper for newcomers to enter the French market. Axa's initiative comes at a sensitive time for France's insurance companies. So far they have fared rather better than their international competitors, notably the US and UK insurers, at withstanding recessionary pressures.

The French insurers have reasonably good growth prospects in the FFr228bn life market, particularly in the light of the ongoing reform of the French pension system. Moreover, the level of competition is lessening slightly in the FFr189bn non-life market. The *mutuelles*, which enjoyed frenetic growth in the 1970s and 1980s by selling insurance to particular groups of clients such as public sector employees, seem to have reached their peak.

But there are problems on the horizon. In the long term Direct Assurance could pave the way for other direct operations, thereby making it easier for new competitors to move into the French market. A more immediate cause for concern is the change in the economic environment which is making it more difficult for French insurers to use the profits from their financial activities to compensate for the financial pressure on their non-life business.

French insurance companies



Source: FFSA

"Since 1984 the industry benefited from four factors: disinflation, high real interest rates, a strong stock market and a buoyant property market," says Mr Michel Albert, chairman of AGF. "Only one of those factors remains - interest rates are still high in real terms. From now onwards the French insurance groups will have to be more rigorous about the way they run their businesses."

This rigour is already apparent. Since last autumn the big insurers have been raising tariffs, particularly in the most competitive sectors such as motor insurance, as, one by one, they have decided to forfeit market share to protect profitability. In the long term, direct selling schemes, such as Axa's Direct Assurance initiative, also offer scope for improving efficiency by enabling the insurers to cut costs by by-passing the agency networks.

The French insurers are also likely to become more rigorous in their approach to international expansion. Most of the major groups expanded actively into other countries in the late 1980s, culminating in Axa's investment in Equitable Life, one of the largest US insurers. The investments continue. AGF has been pressing ahead with its move into Germany by taking a stake in AMB. UAP hopes to follow suit by concluding its long running negotiations with Suez, the French industrial group, over a proposed investment in Colonia.

The rate of expansion may now slow down, partly because the French insurers have to consolidate their recent investments, and partly because of the change in economic conditions. "Insurance acquisitions are not particularly cheap and they require a long-term approach to investment," says Mr Derek Elias, European insurance analyst at Paribas. "The French tend to be more willing to be long-term investors, certainly more so than their UK competitors. But there are likely to be fewer international deals in future."

At the same time the state-controlled insurers are about to come under the spotlight in the French government's partial privatisation programme. If the socialists stay in power, the government is expected steadily to reduce its investment in UAP, AGF and GAN, probably through a series of minority stake sales. This programme will probably accelerate if the conservatives return to power in next year's legislative elections.

Partial privatisation is not expected to make much difference to the management of the insurers. The government still appoints their chairmen, on a three yearly basis, but otherwise relations are fairly distant as Mr Jean Peyrelevade, chairman of UAP, illustrated this summer when he threatened to withdraw cover from the regional blood transfusion centres involved in the controversial HIV blood trial.

UAP maintained it was not obliged to honour its policies as the centres had, without its knowledge, been knowingly using HIV-infected blood in transfusions. The government, already clouded by criticism over the involvement of senior socialists in the trial, insisted that UAP withdraw its threat. UAP did so. But the incident demonstrated its determination to operate independently of the state.

However, partial privatisation should eventually free the state-controlled companies from their current financial constraints. At present, they have to finance expansion from their own resources as they are not allowed to tap the markets for funds. Such constraints should diminish in future thereby completing the modernisation of the French insurance industry.

BANKS

Only one horror story

WHENEVER international bankers get together, the fate of Crédit Lyonnais, one of the biggest of France's big banks, and Mr Jean Yves Habérer, its enigmatic chairman, is almost always on the agenda, writes Alice Rawsthorn.

These are turbulent times for Crédit Lyonnais. In the past four years Mr Habérer has pursued a relentlessly ambitious strategy of international expansion and aggressive lending. His aim was to turn Crédit Lyonnais from a staid, state-controlled French bank into a power in the international financial arena.

He may yet succeed. The international investments Mr Habérer made in the late 1980s might have seemed expensive at the time, but they have left Crédit Lyonnais with an impressive European branch network. However, his equally ambitious approach to lending has left his bank uncomfortably close to the top of the creditor list of most of the corporate horror stories of the past year or so. Mr Robert Maxwell, the disgraced British media baron, Olympia & York, the collapsed Canadian property company, and MGM, the stricken Hollywood movie studio all owed money to Crédit Lyonnais.

Mr Habérer's critics had a chance to assess his strategy when Crédit Lyonnais' interim results came out last month. The successful international expansion fuelled a healthy increase in net banking income. But the lengthy list of bad debts and sour investments produced an equally healthy (or unhealthy) increase in provisions. As a result Crédit Lyonnais came within a whisker of a loss, when net profits plummeted from FFr1.6bn to just FFr119m.

Crédit Lyonnais was the exception, rather than the rule, in pursuing so risky a strategy

Luckily for the rest of France's banking industry, Crédit Lyonnais was the exception, rather than the rule, at having pursued quite so risky a strategy. "The French banks have been under heavy pressure this year because of general market pressures and the increase in bad debts," says Mr Keith Brown, European banking analyst at Morgan Stanley in London. "No-one expects to see particularly exciting results for 1992, but, with the possible exception of Crédit Lyonnais, we do not expect to hear any horror stories."

One of the main problems for the French banks is the level of competition within their domestic market. The market has long been competitive, but this problem is now aggravated by the slowdown in the economy and by high real interest rates which have depressed demand for credit from consumers and the corporate sector alike.

"There are 17 commercial banks operating in the French market," says Mr René de la Serre, chief executive of Crédit Commercial de France, a leading bank. "It is possible that, in the long term, the number will be reduced. But in the meantime there will continue to be strong competition and fierce pressure on margins."

Even if Mr de la Serre is right and the number of banks does fall, the banking industry could still face future competition from new sources such as the post office and the increasingly aggressive French insurance groups.

The banks are already reacting to these short and medium term pressures with long-term programmes of cost-cutting and investment in technology. So far, they have been reasonably successful. Both CCF and Banque Nationale de Paris managed last year to keep the cost increases in their domestic networks below the inflation rate. Société Générale recently unveiled an ambitious plan to shed 2.5 per cent of the staff in its branch network every year for the next three years, thereby reducing its workforce by 1,600.

These overhead initiatives have been helped by the banks' investment in technology which is not only enabling them to operate more efficiently but also to improve customer service. Mr de la Serre suspects that the banks are only just starting to feel the financial benefits of this investment.

However, in the short term the economic slowdown poses another problem for the French banks because of its impact on the value of their holdings in the property and stock markets, as well as on their corporate loans. The sharp rise in business failures, particularly among small and medium-sized companies, combined with the precarious state of the property sector means that all France's banks, not just Crédit Lyonnais, will be hit by high provisions this year as the recent results from Paribas and Banque Indosuez illustrate.

"The economic slowdown has created problems that none of the banks can avoid," says Ms Sheila Garrard, banking analyst for Shearson Lehman in London, which recently published a circular entitled *Toujours Provisions - A Travellers' Guide to the French Banks.*

France's investment banks are also exposed to the market downturn as well as being affected by the slowdown in corporate activity. Paribas, which posted its first-ever loss in 1991, is now in the throes of a cost-cutting programme.

However, the longer-term prospects for the investment banks are reasonably bright. Although some French investment banks, notably Paribas, have succeeded in establishing themselves in the international marketplace, most have been constrained by the comparatively sluggish state of the domestic market, specifically of the Paris stock market.

This should change over the long term. First, French companies which, however noisily they may moan about France's economic slowdown, have been much more sheltered from recession than their Anglo-Saxon competitors, may well take advantage of the strong franc to accelerate their international expansion over the next year or so.

However noisily they moan, French companies may gain from the strong franc

Second, the level of activity in the Paris stock market should improve, as government initiatives, such as privatisation and pension reform, take effect. These initiatives ought to provide more equity for the market and also new sources of investment thereby alleviating its long-term liquidity problem.

It remains to be seen whether the banks themselves will, like their corporate clients, use the strong franc as an opportunity to accelerate their investments in other countries, or whether they will be dissuaded from doing so by concern about the level of their provisions.

Crédit Agricole recently signed a partnership agreement with DG Bank of Germany, as did BNP with Dresdner Bank. Crédit Locale de France has diversified into the UK, where both BNP and CCF are also reported to be considering new investments. As for Crédit Lyonnais, Mr Habérer has made it quite clear that he plans to press ahead with its successful European expansion whatever his critics say.

Profile: Bérégovoy and Sapin

A hard act to follow

SOME acts are impossible to follow. Mr Pierre Bérégovoy in his old role as France's finance minister may have been one of them, writes Alice Rawsthorn.

Mr Bérégovoy, 66, dubbed by the dealers on the Paris markets as *Super-Béré* and *Béré-la-Rigueur*, in deference to his rigid economic strategy, was finance minister on and off from 1984 until April this year when he succeeded Ms Edith Cresson after her short, ill-starred stint as France's first female prime minister.

The apparently thankless task of taking on Mr Bérégovoy's old role fell to Mr Michel Sapin, 40, then junior justice minister. So far Mr Sapin has done pretty well, if only because, from the very beginning, he made it quite clear that he had absolutely no intention of trying to out-manoeuvre *Super-Béré*.

"One does not succeed Pierre Bérégovoy," he said when he accepted his new job. "One continues where he left off." The new finance minister, a lawyer by training, has limited his pronouncements on economic policy to Béréesque references on the importance of restraining inflation and protecting the franc.

Meanwhile Mr Bérégovoy clearly has no intention of relinquishing his control over the economy. At the finance ministry he extended his influence over a wider sphere, by taking on two additional portfolios - trade and industry - to create his own super-ministry. But one of his first acts after naming Mr Sapin as his successor was to dissolve the super-ministry. This created three fully-fledged ministers - Mr Sapin for finance, Mr Dominique Strauss-Kahn for industry and Mr Michel Charasse for the budget.

Mr Bérégovoy then announced a cut in certain categories of value-added tax and warned that France was about to breach its target budget deficit. Both statements would usually have come from the finance ministry, not the premier's office.

If Mr Sapin minds, he is too sensible to show it. President Mitterrand has, after all, given Mr Bérégovoy virtually a free hand to pursue one of the most rigorous economic policies in Western Europe since the collapse of the socialists' expansionist economic strategy in the early 1980s.

The French financial markets have been perfectly content with his rigid approach. Mr Bérégovoy may not have succeeded in persuading the international investment community that France's inflation has been so low for so long that the franc really should be a substitute for the D-Mark, but France has had the benefit of economic stability. As the National Assembly elections approach, economic analysts agree that, whatever the result, it will make little difference to the management of the French economy.

In many respects Mr Bérégovoy is an improbable architect of that strategy. He is the one truly working class member of Mr Mitterrand's cabinet, who began his working life as a milling machine operator, later becoming a railwayman and moving into politics from a post as management assistant at Gaz de France, the state-controlled utility company.

He is fond of stressing his lowly origins, mindful of the accusations of elitism levelled at his *gauche caviar* colleagues in the senior ranks of the socialist party. The French media has portrayed him in a homely light. One magazine cover showed the bespectacled face of the French prime minister beaming above workman's blue overalls, his hands clutching a set of spanners.

This is not the stuff that economic strategists are usually made of, particularly in France where most prominent politicians and financiers come from affluent families and can boast a string of degrees from the elite *Grandes Ecoles*.

Mr Sapin conforms to type. The mild-mannered finance minister was born into an *haut bourgeois* family in Boulogne and rounded off his education at the snooty Ecole Nationale de l'Administration. Unlike his predecessor, he led a conventional career in public service before going into politics.

Whatever the differences in their backgrounds, Mr Sapin and Mr Bérégovoy, to the relief of the French financial markets, agree on economic policy. "Our economic strategy is the right one," said Mr Sapin shortly after taking up his new boss's old job. "We have no reason to deviate from it."

THE CORPORATE SECTOR

The waiting gets longer

LIKE many of their European competitors, French companies are tightening their belts as they wait for what has been an unexpectedly long economic slowdown to draw to an end.

France's corporate sector is having a lacklustre year, with a sad litany of profits declines or missed profits targets, a slowdown in internal investment and in mergers and takeovers.

Yet French companies are better equipped to sit out this difficult period – it is not, technically, a recession – than they were in the last economic slowdown in the early 1980s.

They are leaner and fitter after nearly a decade of wage restraint, low inflation and workforce reductions. Last year, France's top 50 companies made a 2.8 per cent average reduction in their workforces, the biggest cut for many years, with the heaviest job losses coming from Usinor Sacilor in steel, Air France, Renault and Peugeot in cars, Michelin in tyres, and Bull and Thomson in electronics.

The cost of this economic virtue has been to leave France with one of the highest unemployment rates in the Organisation of Economic Co-operation and Development. The reward has been a gain in French companies' international competitiveness as shown by a rise in French exports' average market share in the 11 other members of the European Community from 9.9 per cent last year to 10.3 per cent in the first eight months of 1992, the highest since the 1950s, according to the Direction des Relations Economiques Extérieures. France's top 50 groups now have an average of nearly 60 per cent of their sales abroad, according to Crédit National, the state-owned bank.

The government did not lift a finger in the takeover battle for Perrier

The problem is that these export gains are fragile for French companies' main export markets, Germany, Italy, the Benelux countries and Luxembourg, are as much in the doldrums as is France.

At home, the outlook for domestic demand is just as gloomy. Mr Pierre Bérégovoy, the prime minister, would love to help the corporate sector by kicking the economy back to life with a drop in interest rates. Yet his policy of defending the franc leaves him with no room for manoeuvre to stimulate domestic demand. The crisis on currency markets in recent weeks has underlined how closely French monetary policy is shackled to the high interest rate policy of the Bundesbank.

So it is no surprise that French companies have just turned out a series of dreary results for the first half of this year. The construction industry has been especially hard hit, with lower sales in the first half from Fougerolle, and Lafarge Coppée, the cement group, near stagnant turnover from Poliet in cement and Bouygues and Spie Batignolles in construction.

Other pillars of French industry to have published disappointing news recently include the Rhône-Poulenc chemicals group, with a profits warning for the third quarter; the Renault Véhicules Industriels truck maker with increased first-half losses and a missed profits forecast from Club Mediterranée, the holiday village operator.

Some, encouragingly, have shown that they have cut costs so hard that they are able to produce a profits increase even on a meagre increase in sales. Michelin, the tyre maker and Valeo, the car components producer are cases in point.

If French industry has responded to the slowdown by sharpening its competitiveness, the government is deeply worried that companies have slashed their investments plans so heavily that they risk losing that advantage when the upturn arrives. The top 50 groups cut their investments by 6.7 per cent last year and will reduce capital spending by 3.8 per cent in 1992, says a study by Crédit National.

Another concern is the corporate sector's relatively high indebtedness. On average, the top French companies' debt gearing stands at 70 per cent of shareholders' funds, while German gearing is 25 per cent, says the Crédit National study, carried out with its German partner, Industriekreditbank.

Several large French companies have borrowed heavily to pay for overseas acquisitions in recent years. Some of these takeovers occurred at the peak of the previous upturn, just before the recession hit. Michelin's acquisition of Uniroyal Goodrich, the US tyre maker, and Saint Gobain's acquisition of Norton, the US abrasives group, are prime examples.

The pace of overseas acquisitions by the biggest companies has fallen off sharply since those big purchases in 1990, so that the value of foreign takeovers by the top 50 fell by 24 per cent to FFr80bn last year, putting an end to four straight years of growth.

All the same, there have been some spectacular deals in the past year. These include the FFr12.8bn purchase by Schneider, the electrical equipment group, of Square D, its US competitor, one of the few occasions that a French company has made a successful hostile bid in the US.

The past year also saw the £300m acquisition of US oil group Amoco's UK petrol station and refining interests by Elf Aquitaine; the FFr3.8bn acquisition of the transmission equipment division of Rockwell International by Alcatel Alsthom, the telecommunications group; and hotel operator Accor's FFr2.2bn bid for Wagons Lits, the Franco-Belgian travel group.

Equally, France has been on the receiving end of some big acquisitions in the past 12 months. Overseas bidders have been helped by the relaxation of most controls on foreign investment. Moreover, the advance of liberal economic and industrial policies in the Socialist administration has meant the government has reduced interference in the market, with the exception of one or two important issues of industrial policy.

Revealingly, the government did not lift a finger to find a French solution to the FFr15.46bn takeover battle between two foreign companies for Perrier, the mineral water group, once seen as a sacrosanct part of corporate France. In the end, Nestlé, the Swiss food multinational, fought Italy's Agnelli family through the courts to win with a FFr15.46bn offer. Such an open and highly publicised bid battle would have been unlikely only a few years ago.

Daimler-Benz, the German cars and aerospace group, was last year given a free hand to take a large minority stake in Sogeti, the holding company which controls Cap Gemini Sogeti, Europe's largest computer services group and one of France's postwar industrial successes, with an option to take full control. Similarly, the Japanese car group Nissan was permitted to take control of its French distributor, after a decade of official resistance to building up a significant stake.

All this points to a liberal political climate for the corporate sector, even if the economic outlook is dull. This liberalism looks set to continue or accelerate if, as is likely, the Socialists lose to the conservatives in the next legislative elections in March.

William Dawkins

Why economic recovery remains endlessly on the horizon

The Achilles franc

FRANCE remains very well placed to stage a strong economic recovery. But the political and monetary ructions in France and Europe seem endlessly to push that recovery to the horizon.

The country has inflation which is low and apparently stable, running at less than 3 per cent a year. The pay-off for this considerable achievement has been a lower rate of industrial wage costs than elsewhere in Europe. This in turn has helped push the trade balance into the black, with a FFr19.35bn surplus in the first eight months of 1992.

It would therefore seem that France is exceptionally well-placed for vigorous, non-inflationary, export-led expansion, and that the government's predictions of steady rise in growth – from 1.25 per cent last year to 2.1 per cent this year and 2.6 per cent next year – are entirely credible. But they are not.

The reason is the precarious strength of the franc, in the context of the continued tensions within the European Monetary System and the Community about ratifying the Maastricht treaty. As finance minister and (since March 1992) as prime minister, Mr Pierre Bérégovoy has made it the cardinal point of his economic policy that the franc should stay shackled to the D-Mark.

This policy of the "franc fort" had already borne fruit in lowering inflation and improving French industry's competitiveness abroad. And the government showed it had no intention of abandoning the policy when – for several unnerving days in late September – the money market speculators, having forced sterling and lira out of the EMS parity grid and into devaluation, turned their unwelcome attention to the franc.

With help from the Bundesbank, the franc held its parity with the D-Mark. But victory was costly. The Banque de France virtually exhausted its foreign exchange reserves. There is a feeling that speculators are looking for any sign of weakness to resume their attack. So interest rates remain uncomfortably high, with the base rate still almost seven percentage points over that of inflation. The finance ministry has been quite unable to deliver on its earlier hints that if France voted for Maastricht in the September 20 referendum, it could expect lower interest rates.

Nor does the 1993 budget, which the government unveiled on September 30, provide any real give on the fiscal side. The budget plan provides for less than a 1 per cent real increase in spending, and only FFr4.5bn in new tax breaks. This represents a considerable degree of political self-restraint, given the fact that the deeply unpopular Socialist government faces a parliamentary election in six months. As a result, the deficit is set to rise to FFr165bn next year, from an estimated FFr135bn this year. Yet, even at this level, the 1993 budget deficit would only represent about 2.2 per cent of gross domestic product, a ratio which most other European countries would envy.

There is a feeling that speculators are looking for any sign of weakness to resume their attack. So interest rates remain uncomfortably high while the budget plan provides for less than a 1 per cent real increase in spending

Is the government courting electoral suicide with continued austerity? Probably, but most Socialists accept they are doomed to defeat in next March's legislative elections. An October 1 opinion poll, coming the day after the presentation of the budget, showed 44 per cent support for the two main opposition parties – the RPR and the UDF – and only 20 per cent for the Socialists.

The most obvious reason why the government persists in flagellating the French economy with tight monetary and fiscal policies is that to do anything else risks the entire collapse of its European policy. With the trauma of the Maastricht referendum behind it, it is now pushing Britain, and eventually Denmark, to ratify the treaty.

If the franc were now forced into a devaluation against the D-Mark, this would risk striking the heart out of the EMS and proving all Maastricht's sceptics and opponents right in their contention that Europe is not ready to move to economic and monetary union.

But there are domestic political motives for the government to stick to its policies of fiscal and monetary orthodoxy. Certainly, these have helped create the one real black spot in the French economy – the nearly 3m unemployed which give France one of the highest jobless rates in Europe. But the government seems to have become almost inured to the unemployment rate as something which only long-term training programmes, rather than quick-fix pump-priming measures, can improve. In any case, the party theoretically best placed to exploit unemployment – the Communists – is a spent force.

The latter's concern is overwhelmingly with the centre-right opposition, which has been left largely without any distinctive economic policy to propose since the Socialists stole the middle ground in the mid-1980s. The opposition has attacked the government's 1993 budget plans for letting the deficit spiral upwards, for giving too loose a rein to spending, for making investment and wage commitments for which the full bill will only become evident in the late 1990s, but also for not giving enough tax breaks to the middle classes. Some of these criticisms are contradictory.

The opposition, of course, claims to have an alternative programme. As Mr Alain Juppé, secretary general of the RPR, explains, this would involve a substantial privatisation drive, bringing to the state coffers some FFr200bn over three years, some of which would be redirected to ease the capital needs of companies still left in the state sector and the rest used to finance tax concessions. General spending would be allowed to rise no higher than the inflation rate, partly by putting to more efficient use the large amounts of money that the Socialists have directed into sectors like education.

But there is no reason to suppose France's probable next government, that of the centre-right, will not face the same fundamental constraints – the need to keep the franc and France at the forefront of the move towards monetary union – as the Socialists, or that it will act with any less monetary and fiscal rigour than Mr Bérégovoy's government.

There are few French politicians who believe the country can afford the luxury of a more flexible exchange and interest rate policy of the kind that Britain is now indulging in. Mr Philippe Séguin, a former RPR minister, for instance, has argued for more frequent realignments within the EMS, and by implication a devaluation of the franc, while Mr Jean-Pierre Chevènement, a former Socialist minister, suggests that the only way France can regain its economic freedom of manoeuvre is to quit the EMS altogether. But both men were leaders of the No to Maastricht campaign, and in losing the referendum, they effectively lost their argument as well.

David Buchan

EUROPEAN FINANCE AND INVESTMENT: FRANCE 4

Jean Peyrelevade

Jean Yves Habérer

Claude Bébéar

Gérard Worms

René Thomas

Alice Rawsthorn profiles five influential figures in the business world

Contacts help men at the top

JEAN PEYRELEVADE. The chairman of Union des Assurances de Paris, France's largest insurance group, Mr Peyrelevade has impeccable political contacts reaching to the top of the ruling socialist party.

The son of a Marseilles school teacher, he began his political career in the private office of Mr Pierre Mauroy, the first prime minister of the Mitterrand era. He was rewarded with the chairmanship of Suez, only to be booted out in 1986 when the socialists lost power to the conservatives.Two years later he returned to the financial mainstream with the top job at UAP.

But Mr Peyrelevade is far from being a tame political appointee. He emphasised his independence this summer when UAP threatened to refuse to honour insurance policies for transfusion centres that had been distributing infected blood, thereby adding to the government's embarrassment over the HIV blood trial.

JEAN YVES HABERER. Described as "cold", "calculating" and "cunning", Mr Habérer, 59, is the most controversial figure in French finance. In his four years as chairman of Crédit Lyonnais, he has steered the bank towards an audacious strategy that has provoked grudging admiration from some observers and ill-disguised alarm from others.

At one stage, it seemed as though his audacity might cost him his job in this summer's review of the heads of state companies. But the appointment of Mr Pierre Bérégovoy, a political friend, as prime minister put paid to that, though Mr Habérer has since pursued a more moderate strategy.

His critics are now biding their time until the next general elections. If the Bérégovoy's socialists win, Mr Habérer will probably stay. But if Mr Jacques Chirac's conservatives return to power, he might find himself out of a job.

CLAUDE BEBEAR. "For years no-one wanted to work in insurance, it was too boring," says one French financier. "Now that's changed and it's all thanks to Claude Bébéar."

Mr Bébéar, 57, worked his way up from a provincial bourgeois background to become chairman of Axa, the biggest private sector insurance group, and one of the very few truly populist figures in French finance.

He has proved that insurance can be fun by staging a series of takeover bids. After battling against Bouygues, the powerful construction group, over the Drouot insurance company, he won control of Equitable Life, a big player in US insurance, thereby turning Axa into a significant force in the international arena.

A close associate of former president Valéry Giscard d'Estaing, he is the founder of the *Enterprise et Cité* club, which includes many of France's dynamic industrialists.

GERARD WORMS. When he became chairman of Suez in 1990, Mr Worms'chief challenge was to declare it independent from its main investor, Union des Assurances de Paris.

This task appeared to be difficult. Not only was Suez still struggling to digest Société Générale de Belgique after its acquisition in 1989, but Mr Jean Peyrelevade, UAP's charismatic chairman, had been one of Mr Worms' predecessors in the Suez chair.

Luckily for Mr Worms, 56, he has had an ideal opportunity to demonstrate his autonomy during the negotiations over UAP's minority stake in Victoire, a French insurance company under Suez control.

Mr Peyrelevade hopes to swap all or part of UAP's stake for a 50 per cent share of Colonia, a German insurer. So far his hopes have been dashed. UAP is in a weak negotiating position – a situation that Mr Worms has not been slow to exploit.

RENE THOMAS. One of the golden rules of French industry is that no state-appointed company chairmen should stay in their jobs over the age of 65.

Yet Mr René Thomas, 63, chairman of Banque Nationale de Paris, the biggest French bank, will break the golden rule by reaching the official retirement age during his current three-year term of office.

In theory, he should have retired this summer at the end of his last three-year term. The government cast around for a successor, but there were no suitable candidates. And Mr Thomas, who has spent most of his career at BNP, is so uncontroversial that there was no reason for him to go.

Mr Thomas has strengthened his links with the left (his wife works for President Mitterrand) while also nurturing new contacts on the right, thereby becoming one of the few chairmen of a state-controlled bank to have hung on to his job during *cohabitation*.

French banks in London

Lure of the City

STRUGGLING in the recession but still determined to be significant players, France's big banks are having another difficult year in the City of London.

The French are busily reducing staff and cutting costs in their UK subsidiaries, which are often at the heart of the international operations. Having increased their London presence on a grand scale in the 1980s, French banks now share the predicament of the rest of the British financial sector. If most think 1992 will not be too bad, it is only by comparison with previous years.

The French were hard hit by corporate collapses such as British & Commonwealth, Polly Peck and Brent Walker. Last year, the Maxwell saga proved expensive for Crédit Lyonnais, Banque Nationale de Paris, Crédit Agricole and Société Générale. French banks came second only to the British in the list of Maxwell lenders.

So far, 1992 has been quieter, but that does not mean results will be much better at the end of the year. "Twelve months ago we believed that all the firms which would collapse had already done so," says one French banker in London. "We were wrong. Some companies that were relatively strong in 1991 are now far weaker."

One problem is the precarious state of the property market. Crédit Lyonnais, for one, was a heavy lender to Heron and Mountleigh. It was also a big creditor of Olympia & York, the stricken Canadian property group behind the Canary Wharf development, but this business was not booked in London. In the leisure industry, Mowat's demise hit Banque Indosuez.

Some French banks such as BNP, Paribas and Société Générale expect to make a profit, albeit a modest one, in 1992. Others, like Crédit Lyonnais, say they will still be in the red.

Unsurprisingly, the banks are now emphasising rigorous management. The days of generous lending are over. "We do not want to develop relationships with customers based only on credit," says Mr Denis Antoine, head of Paribas in London. "It must be part of a broader package, together with other financial products such as swaps."

Management rigour often implies cost-cutting. BNP will employ 300 people in the UK by the end of the year, down from 350 a year ago and from 460 four years previously. Indosuez now has 205 staff, against 330 three years ago.

Another common characteristic of rationalisation is a move towards better co-ordination between the banks' traditional branches and their financial market subsidiaries. Banque Paribas and Paribas Capital Markets will be housed under the same roof by December. At Société Générale, Mr Patrick Pagni, the new chief executive of the branch, was previously in charge of the brokerage subsidiary, Société Générale Strauss Turnbull.

Trying to make the most of huge bad debts is viewed as important. "This group has to take an active role in creditors' committees, saying 'We want our money back,' just like Margaret Thatcher with the European Community," says Mr Olivier Mas, chief executive of Crédit Lyonnais in London.

The scenario is not entirely gloomy. Most French bankers in London are trying to invest and develop some activities. Many, such as BNP, put the emphasis on what they see as the strongest market in the City of London: treasury and foreign exchange operations.

Similarly, Société Générale wants to focus on large and medium-sized companies with international operations.

Paribas wants to develop its corporate UK client base. "Until recently we were using London as an international financial centre and neglecting the domestic side," says Mr Denis Antoine. "We would like now to be seen more as a British bank."

Crédit Lyonnais is more ambitious than its compatriots. In the past two years it has opened 10 branches throughout Britain, aimed at middle-size companies, and more are to come. "The next step is retail banking," says Mr Mas. "We would need several dozen branches by 1995."

The only French bank in Britain with an expanding staff, Crédit Lyonnais employed 420 in 1990 and has 500 staff today, with 550 forecast for the end of next year.

Yet other French banks are emerging in London. Crédit Locale de France has joined forces with Municipal Mutual. Crédit Commercial de France is said to be looking at Charterhouse, the merchant bank put up for sale by Royal Bank of Scotland. Next year BNP may raise its 4.5 per cent stake in Kleinwort Benson, in association with Dresdner Bank.

For all its present difficulties, the City of London is still a place where France's big banks feel they ought to be.

Patrick de Jacquelot

London correspondent, Les Echos

Prospects for the stock market

Tomorrow will be better

JEAN-FRANÇOIS Théodore is a confident man. The president of the Société des Bourses Françaises leans back in one of the black leather chairs in his rue Cambon office and oozes optimism about the prospects for the French stock market.

"Everything is in place," he says. "The necessary reforms have been made. We have one of the world's most sophisticated computer systems. There is legislation in the pipeline – privatisation and pension reform – which will bring more business to the market and we're ready for it."

The same confidence is voiced by almost everyone associated with the French stock markets. All are convinced that, over the long term, the gradual privatisation of France's big state-controlled companies, coupled with the creation of a new breed of private pension funds, will stimulate the investment sector.

This rosy scenario is rather different from the present picture. In the 1980s the French stock markets underwent a period of radical reform in an attempt to prepare them for life in the intensely competitive markets of the 1990s.

The reforms may have succeeded in modernising the mechanics of the Paris markets. They also created the successful MATIF futures market which is now one of the largest worldwide. But many of the stock markets' traditional problems persist. The new rules on block trading, transactions in large amounts of shares, are so tight that Paris has continued to lose business to London. Moreover Paris still suffers from its old problem of poor liquidity.

The French government's influence over industry, which means that 20 per cent of output comes from state-controlled companies, has created a dearth of equity. This problem has been aggravated by the anachronistic ownership structure of France's private sector companies, where large chunks of stock are held by friendly banks and "sweetheart" shareholders.

The state's stranglehold over the pension system means that pension funds represent just 10 per cent of the Paris stock market, compared with 60 per cent in London, thereby creating a shortage of investment.

This lack of liquidity has also contributed to the financial problems of the Paris stockbrokers. The 55 French broking firms made collective losses of FFr600m in 1991, according to the Association Française des Sociétés de la Bourse, a slight improvement on their combined deficit of FFr666m in 1990.

This scenario has already catalysed a rash of cost cutting. There were 480 job losses across French broking last year, according to the AFSB, with the workforce shrinking from 5,340 to 4,860. Most practitioners maintain that there are still too many companies chasing too little business.

Mr Théodore is convinced that the industry has reached the bottom of the cycle and that conditions can now only improve. "It's just not true that there are too many players on the Paris market," he said. "There are 45 stockbrokers in Paris and 580 in New York, but the New York market is only 10 times bigger than Paris."

The global securities groups seem to agree. In recent months a number of international names have opened or extended their banking or broking operations in Paris, including Kleinwort Benson and Baring Brothers of the UK, Morgan Stanley of the US and Japan's Nomura.

These companies are pinning their hopes on the long-term prospects for the Paris market. One reason for their confidence is the sustained support of France's socialist government. Throughout the 1980s the government, spearheaded by Mr Bérégovoy, squashed every stereotype about socialist opposition to the investment sector by championing the modernisation of the Paris markets.

One of the few areas where the government has not been as supportive as the brokers wished is in its failure to abolish the bourse tax on share transactions which, they claim, puts them at a major disadvantage to London, particularly for large transactions. The proposed reform of the rules on block trading has been put on ice until its abolition.

However, the markets are really much more interested in the prospect of privatisation and pension reform which, they believe, will also accelerate after the elections, whichever political party wins.

"The Paris stock market has already made a lot of progress," says Mr Jean Saint-Geours, president of the Commission des Opérations de Bourse. "It is not as international as London, but it has the potential to become one of the main European markets as part of a network with Frankfurt, Milan and Madrid."

Alice Rawsthorn

Equities rally after uncertain start

By Steve Thompson

A FIRM opening by Wall Street came to the rescue of a London market suffering from an acute bout of inactivity as the chancellor of the exchequer endured a detailed examination of his economic policy by the House of Commons Treasury committee.

Market strategists ascribed a late strong run by London's equity market to a squeeze on short positions and to an unexpectedly firm opening by Wall Street after the three candidates in the race to the White house met in a televised debate.

Some market commentators in London remained convinced that moves to lower interest rates in Germany and the US may take place later this week. There was more uncertainty, however, over the timing of another cut in UK interest rates.

The equity market opened on a depressed note, with dealers demoralised by two bleak surveys of the UK's financial services and manufacturing industries, and last Friday's poor performance by Wall Street, which closed at its lowest level this year.

Sentiment was also unsettled by a series of worrying corporate stories. Lucas Industries, the electrical and engineering the components manufacturer, delivered the expected steep fall in profits along with a programme of restructuring involving asset sales and heavy job losses.

Vickers was also highlighted as its shares plummeted in reaction to news that the group had lost out to the US in its attempt to win a £1bn order to supply its Challenger tanks to Kuwait.

Opening five points down at 2,535.6, the Footsie quickly retreated to show a 10 point-plus fall within 30 minutes. A good rally, said to have been triggered by aggressive buying of the Footsie Future, soon developed, however, and the index was in positive territory shortly after 10am.

There was then very little genuine business in the markets until Wall Street began trading and the UK chancellor faced the Commons Treasury committee. Wall Street was quickly into its stride and showing a gain of 30 points following reports that Mr Alan Greenspan, chairman of the US Federal Reserve, refused to rule out further cuts in the discount rate ahead of the November 3 election. And hopes persist in London that the Bundesbank will soon sanction another reduction in German interest rates, although a cut this week is viewed as unlikely by one leading UK securities house.

The interrogation of Mr Lamont by the House of Commons Committee was seen as an anti-climax by market observers. "Nothing unexpected," said the top trader at a leading UK securities house, while another said the examination had been "overhyped" by the media.

By the close of business the Footsie was 16.0 points higher at 2,557.2. The rise was not, however, accompanied by any surge in demand; turnover was a paltry 305.6m shares, the lowest since early September.

The two new FT-SE indices, made their official market debuts. The Footsie Mid index of 250 stocks closed 10.1 higher at 2,403.0 and the Footsie 350, comprising the Footsie 100 plus the Mid 250 indices, moved up 7.1 to 1,230.4.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	56	380	-8	Comm. Union	784	514	-4	Lonrho	1,500	66	+3	Shell Transport	4,100	633	+4
ASDA Group	8,300	38	-1	Cookson	494	150	+2	Lucas	6,400	94	+4	Siebe	224	329	-4
Abbey National	3,200	315	+7	Courtaulds	1,300	469	+4	MB Caradon	254	259	+11	Slough Ests	1,200	102	
Albert Fisher	441	37		Dalgety	707	426	+12	MEPC	518	271		Smith (W H) A	65	437	+5
Allied-Lyons	1,500	605	-1	De La Rue	101	827	+8	Manweb	79	443	+7	Smith & Nephew	792	161½	+1½
Amstrad	71	36		Dorms	604	218	+2	Marks & Spencer	797	326½	+5½	SmKl Beecham	1,900	507½	+½
Anglian Water	345	423	+2	Eastern Elect	106	378	+8	Midlands Elect	651	422	+10	SmKl Beecham Uts.	1,200	447	
Argos	162	239	+4	East Midland Elect	548	389	+14	NFC	124	252	+2	Smiths Inds	663	325	+3
Argyll Group	1,200	250	+6	Eng China Clays	284	438	+3	NatWest Bank	2,700	350	+4	Southern Elect	420	402	+6
Arjo Wiggins	1,300	157	+3	Enterprise Oil	401	432	+5	National Power	2,000	273	+6½	South Wales Elect	71	468	+6
Ass. Brit. Foods	214	437	+8	Eurotunnel Units	114	366	+7	Next	429	109	-½	South West Water	57	437	+3
Ass. Brit. Ports	534	286	-1	FKI	342	82	-1	North West Water	319	445	+2	South West. Elect.	343	411	+6
[illegible]															
British Airways	580	291	+2	ICI	718	1064	+2	Rothmans	101	566	-1	Vodafone	1,000	340	+1
British Gas	7,500	252½	+1½	Inchcape	255	489	+1	Ryl Bk Scotland	3,400	153	+1	Warburg (SG)	17	514	-3
British Land	6	148		Kingfisher	277	516	+7	Royal Insurance	1,600	186	+5	Wellcome	1,000	963	-9
British Steel	3,800	61½	-1	Kwik Save	211	693	+19	Saatchi	310	141	-2	Welsh Water	56	456	+2
Bunzl	630	95	+2	Ladbroke	636	163	+4	Sainsbury	706	470	+2	Wessex Water	101	520	+1
Burmah Castrol	33	533	+4	Land Securities	278	395	+1	Scottish & New	611	416	-6	Whitbread 'A'	210	435	+3
Burton	40	41		Laporte	191	573	+12	Scot. Hydro-Elect	418	214	-½	Williams Hldgs	151	266	+6
Cable & Wire	1,300	574	+12	Legal & General	717	347		Scottish Power	2,600	188	-1½	Willis Corroon	1,400	205	-5
Cadbury Schweppes	1,200	438	+2	Lloyds Abbey	762	333	-3	Sears	3,700	88	+3	Wimpey	189	88	-5
Calor Group	17	197		Lloyds Bank	2,000	450	+4	Sedgwick	3,700	142	+2	Wolseley	15	335	-2
Carlton Comms.	859	668	+8	LASMO	2,600	167	+2½	Seeboard	778	413	+11	Yorkshire Elect	198	452	+9
Coats Viyella	478	202	-1	London Elect.	1,200	407	+11	Severn Trent Water	363	401	+2	Yorkshire Water	227	462	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Oct 5	Oct 19	Nov 2
Option Declarations:	Oct 15	Oct 29	Nov 12
Last Dealings:	Oct 16	Oct 30	Nov 13
Account Day:	Oct 26	Nov 9	Nov 23

*New time dealings may take place from 8.30am two business days earlier.

Price war worries hit Bass

A DOWNGRADE and bearish comment from broker Nomura knocked Bass, shares in the brewery group retreating 14 to 548p on heavy turnover of 1.7m. Nomura lopped £35m from its full-year forecast to £495m and warned that the brewing industry was on the verge of a damaging price war as the leading protagonists sought to protect market share.

Analyst Mr Ron Littleboy believes the cost of such a policy will mean that Bass will have to make further exceptional charges of £25m above the £50m already pencilled into most City forecasts. He said: "Bass is clearly signalling that it will do everything needed to maintain its position in a shrinking drinks market. We have the makings of an extreme price war between the big five, with no one prepared to lose market share." He added that he expected the volatile situation to last into the medium term, keeping selected brewery shares under pressure, in particular Scottish and Newcastle, off 6 yesterday at 416p.

Lucas volatile

Shares in aerospace and automotive components group Lucas Industries had a volatile session in heavy turnover of 6.4m, making one of the day's most heavily traded stocks. The shares jumped 10 to 100p early in the day, with the market relieved by a maintained final dividend of 4.9p against earlier fears of a cut, and profits of £22.5m (£82.8m) ahead of the predicted figure of £20m. The market was also pleased with restructuring plans at the company.

Lucas said it hoped to report a covered maintained dividend for the current year, although Mr Sandy Morris at County NatWest warned: "It is going to be another difficult year, mainly due to the weak European car market, so I still think the dividend is at risk." He predicted full-year profits of £41.5m. Mr John Goldschmidt at Charterhouse Tilney was "on balance more optimistic" on the outlook for the company and predicted current-year profits of £60m.

Recent bid speculation surrounding Lucas continued to circulate and some analysts likened their meeting with the company yesterday to a defence meeting. Profit-takers moved in during the afternoon, causing the shares to surrender some earlier gains. They closed 4 up at 94p, on high turnover of 6.4m.

Rank reversal

Adverse press comment and rumours of further disposals sent Rank Organisation tumbling, although turnover was below average. The press comment reiterated market nervousness over Rank's large debt and brought back whispers of the possibility of a rights issue. There were also strong suggestions that Rank had put its Odeon cinema chain and film distribution company up for sale. Bears in the market described the alleged move as a fire sale brought about by Rank's inability to sell its hotel chain, which has been on the market for several months.

Ms Lisa Gordon at County NatWest said: "This just points to the plight of the company in having to try and sell its way out of debt. The problem for Rank is that there are no buyers." However, Mr Peter Hilliar at BZW was more supportive of the stock, arguing that there had been no new trading news on Rank and that the bearish sentiment had been overdone. The shares fell 14 to 507p.

Shares in defence and motor cars group Vickers tumbled on news that it had lost out on a $1bn Kuwaiti order for its Challenger 2 tank to General Dynamics of the US.

The shares gave up 7 to 83p in early trading on the news and steadied mid-session before again retreating, with turnover reaching 1.2m by the close. The news was not a surprise to the City as reports of the tank's underperformance in recent trials in the Middle East have been circulating, and have been a factor in underperformance of the stock.

Lasmo received a push from consideration of a Hoare Govett re-evaluation. Hoare has published a note arguing for an average sterling exchange rate of $1.56 next year. The house says that, on that figure, Lasmo would have an asset value of 185p per share and be at a 20 per cent yield premium to the market on a maintained dividend covered by earnings. Lasmo firmed 2¼ to 167p.

Shares in Kwik Save leapt 19 to 693p on hopeful speculation that the recent interest by Hongkong Land in Trafalgar House might rub off on the supermarket group. Jardine Matheson, which has a 33 per cent stake in Hongkong Land, also has a large share in Dairy Farm, which in turn holds some 25 per cent in Kwik Save. Early talk had Dairy Farm increasing its stake to the allowable limit of 29.9 per cent.

Lloyds Bank showed signs of slippage as the market absorbed a sell recommendation from Carr Kitcat & Aitken. The house argued that the shares were overvalued and on "a higher rating than its competitors, which is not justified by its performance. We estimate this overvaluation to be of the order of £1 a share." Lloyds closed 4 firmer at 450p.

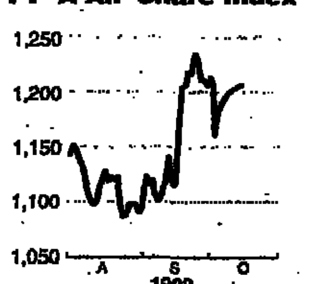
TV group Carlton Communications performed well with the help of a buy recommendation from S.G. Warburg Securities. Carlton rose 8 to 668p.

Interest ahead of interim figures today, and a buy recommendation, saw Mirror Group jump 7 to 65p. There is a broad consensus among financial analysts who predict profits of between £8m and £18m. However, there is a general feeling that, because of the lack of credibility surrounding the former publisher, Mr Robert Maxwell, estimates were lower than necessary. Agency Broker James Capel is looking for £13m and has put the stock firmly back on its buy list.

Bathroom supplier Spring Ram saw heavy turnover as one house traded blocks of 3.4m and 4.3m shares at 128p and 129p respectively. The shares eased 3 to 129p on turnover of nearly 9m, the heaviest in the London market.

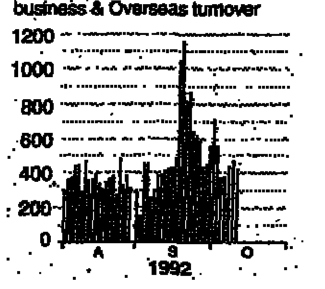
Caution surrounding a health conference in California was said to have contributed to weakness in Wellcome, which fell 9 to 963p. The anti-infectives conference is today expected to discuss prospects for 3TC, an Aids drug being developed for rival Glaxo. Glaxo hopes 3TC will emerge from clinical trials as the first commercially successful alternative to Wellcome's Retrovir.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Changes to indices

Two new indices in the FT-SE Actuaries Share Indices are published in today's FT. The new indices are:

- The FT-SE Mid 250, covering the 250 companies that rank below the FT-SE 100 in market capitalisation.
- The FT-SE Actuaries 350, the top 350 UK shares (the FT-SE 100 plus the FT-SE Mid 250). Industry baskets based on these 350 stocks are calculated in real time throughout the day. The sector classification is that used in the FT-Actuaries All-Share index.

The FT's display of indices changes as a result. At the top right-hand corner of this page, a new table brings together all the UK components of the FT-SE Actuaries Share Indices: the FT-SE 100, the FT-SE Mid 250, the FT-SE Actuaries 350, the FT-Actuaries All-Share index, and some of the FT-SE Actuaries 350 Industry Baskets.

Other UK equity market indicators – including the *FT Ordinary Share Index*, the FT Gold Mines index and the London Stock Exchange volume statistics – can be found in a new table that appears towards the bottom of this page.

Both the FT-SE Eurotrack 100 and 200 indices will appear from today on the World Stock Markets page.

Fixed-interest data – including the FT-Actuaries Fixed Interest Indices, FT Government Securities Index, FT Fixed Interest Index and FT Index of Gilt-Edged Bargains – can be found on the capital markets page, next to the Liffe equity options table. The table on the page headed "Traditional options – 3-month call rates" will appear in future once a week, on Saturdays. The table summarising the previous day's traditional options business will continue to appear daily, as before.

MARKET REPORTERS:
Joel Kibazo
Peter John
Christopher Price.

■ Other market statistics, Page 25.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (22).
BRITISH FUNDS (5) Fd. 9pc '93, Treas. 9pc '94, Cv. 9pc '00, Treas. 13pc '00, Treas. 10pc '01. AMERICANS (1) General Host. BANKS (2) HSBC, HSBC (75p Shs). BUSINESS SERVICES (1) Reliance Security. CHEMICALS (1) Halstead (J). ELECTRICALS (1) Johnson. ELECTRICITY (1) China Light. ENGINEERING GENERAL (2) Halma, Vosper Thornycroft. FOOD RETAILING (2) Morrison (Wm), Do 5¼pc Pf., HOTELS & LEISURE (2) Manchester Utd., Mandarin Oriental Intl., INVESTMENT TRUSTS (1) World Tst., MEDIA (1) Flextech. OIL & GAS (1) LASMO 9¾pc Pf., STORES (1) Betterware.
NEW LOWS (28).
AMERICANS (1) Amdahl, BREWERS & DISTILLERS (1) Fuller STA. BUILDING MATERIALS (3) British Fittings, Ranbus, Russell (A). CONGLOMERATES (2) Daimler-Benz, Grampian. FOOD RETAILING (1) Wardell Roberts. HOTELS & LEISURE (2) Hi-Tec, Zetters. INVESTMENT TRUSTS (1) London & Strathclyde. MEDIA (2) Lopex, Metro Radio. MERCHANT BANKS (1) Wintrust. METAL & METAL FORMING (1) Metsec. MISCELLANEOUS (2) Excalibur, Relyon. OTHER FINANCIAL (1) Brown Shipley. OTHER INDUSTRIAL MATERIALS (1) Eleco. PACKAGING, PAPER & PRINTING (2) Sappi, Unit. STORES (2) Bentalls, Wyevale. TRANSPORT (1) Tibbett & Britten. MINES (6) Burnin, Oriefontein, FS Consld Gold, Loraine, Melinga Res., Western Deep.

FINANCIAL TIMES EQUITY INDICES

	Oct 12	Oct 9	Oct 8	Oct 7	Oct 6	Year ago	High	Low
Ordinary share	1878.8	1865.2	1870.4	1847.3	1814.2	1973.5	2149.7	1670.0
Ord. div. yield	4.76	4.78	4.78	4.82	4.89	4.73	5.34	4.24
Earning yld % full	6.80	6.94	6.94	7.01	7.10	7.45	-	-
P/E ratio net	18.67	18.27	18.26	18.08	17.85	18.76	20.84	15.79
P/E ratio nil	17.36	16.94	16.93	16.77	16.55	15.91	-	-
Gold Mines	77.7	79.7	80.4	78.6	69.4	166.5	160.8	65.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basic Ordinary share 1/7/35, Gold Mines 12/9/55

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
1866.3	1864.5	1873.4	1880.0	1874.2	1869.2	1870.1	1871.6	1879.4	1880.1	1863.7

Volume	Oct 12	Oct 9	Oct 8	Oct 7	Oct 6	Year ago
SEAQ Bargains	17,739	20,680	18,847	18,571	20,648	24,831
Equity Turnover(£m)†	-	873.9	1066.7	1050.5	811.5	910.89
Equity Bargains†	-	23,103	21,124	20,880	22,546	23,382
Shares traded (mil)†	-	407.8	471.7	442.0	389.2	414.5

† Excluding intra-market business and overseas turnover

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2557.2 +16.0 | **FT-SE MID 250** 2403.0 +10.1 | **FT-A ALL-SHARE** 1207.77 +6.77

	Oct 12	Oct 9	Oct 8	Oct 7	Oct 6	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2557.2	2541.2	2538.8	2517.1	2488.4	2576.7	2737.8	2281.0	2737.6 11/5/92	986.9 23/7/84
FT-SE Mid 250	2403.0	2392.9	2387.0	2377.7	2357.7	2535.1	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1230.4	1223.3	1221.7	1212.4	1199.3	1251.8	1324.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2535.6	2530.9	2541.5	2552.0	2545.5	2543.8	2544.7	2546.6	2558.4	2558.9	2530.5
FT-SE Mid 250	2392.7	2393.8	2398.2	2400.8	2398.8	2396.7	2396.1	2398.4	2402.2	2403.0	2392.5
FT-SE-A 350	1221.1	1219.4	1223.9	1228.2	1225.5	1224.6	1224.9	1225.9	1230.8	1231.0	1219.2

Gross dividend yield (ACT at 25%) FT-SE 100: 4.7%

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No (Mon Oct 12 1992)	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Oct 9 Index No	Thu Oct 8 Index No.	Wed Oct 7 Index No.	Year ago (approx) Index No
1 CAPITAL GOODS (174)	742.61	-0.1	7.66	5.88	17.01	27.44	743.36	743.62	741.46	825.59
2 Building Materials (23)	672.42	+0.8	7.79	8.11	18.18	34.67	666.78	680.57	679.95	1004.25
3 Contracting, Construction (26)	581.07	-1.6	3.63	8.56	178.94	32.23	590.41	600.48	603.55	1081.95
4 Electricals (9)	2052.58	-0.1	8.14	7.33	16.23	85.80	2054.83	2042.75	2034.86	2563.31
5 Electronics (27)	2080.24	-0.7	7.84	4.10	16.05	47.93	2095.14	2080.91	2067.99	1748.96
6 Engineering-Aerospace (6)	283.47	+0.9	12.72	8.23	9.98	13.53	281.04	280.47	276.95	361.01
7 Engineering-General (43)	444.24	-1.2	9.10	5.29	14.03	15.00	449.80	450.14	448.18	489.42
8 Metals and Metal Forming (7)	309.15	-0.8	5.62	7.08	25.87	7.52	311.71	307.63	304.58	432.37
9 Motors (14)	291.17	+0.9	6.61	8.11	22.62	14.79	288.55	289.23	291.01	343.01
10 Other Industrials (19)	1735.24	+0.2	7.20	4.80	16.79	59.29	1731.18	1723.40	1720.29	1605.20
21 CONSUMER GROUP (191)	1594.04	+0.4	7.25	3.62	17.13	34.19	1587.31	1586.91	1571.74	1539.13
22 Brewers and Distillers (25)	1900.86	-0.6	8.76	3.88	13.76	41.43	1912.11	1908.64	1888.52	1936.51
25 Food Manufacturing (19)	1207.59	+1.0	8.87	4.38	13.93	28.04	1195.70	1201.79	1201.69	1201.80
26 Food Retailing (18)	2796.88	+1.2	8.92	3.31	14.54	53.95	2763.35	2728.78	2677.47	2463.06
27 Health and Household (26)	4153.00	......	5.31	2.66	21.86	70.35	4152.75	4158.91	4088.55	3697.32
29 Hotels and Leisure (18)	1059.49	+0.5	7.42	6.44	17.74	45.99	1054.37	1059.12	1058.07	1315.79
30 Media (26)	1599.68	+0.6	6.17	3.29	20.21	35.10	1590.62	1597.36	1590.32	1529.49
31 Packaging, Paper & Printing (17)	717.39	+1.0	7.07	4.52	17.60	22.00	710.32	717.35	721.26	757.46
34 Stores (33)	1026.53	+1.3	6.94	3.53	19.18	19.14	1013.71	1009.60	1004.02	992.07
35 Textiles (9)	663.58	-0.2	7.15	4.63	17.59	16.65	664.93	670.34	668.50	619.11
40 OTHER GROUPS (117)	1283.84	+0.9	9.72	5.27	12.89	40.44	1272.50	1267.72	1258.93	1285.45
41 Business Services (18)	1333.98	+0.4	6.63	3.81	18.47	25.69	1328.07	1312.43	1320.19	1404.79
42 Chemicals (22)	1333.57	+0.4	7.35	5.44	16.88	48.39	1328.72	1323.23	1318.50	1466.21
43 Conglomerates (10)	1268.67	+1.0	9.09	8.67	14.09	40.82	1256.30	1259.95	1259.83	1493.48
44 Transport (14)	2473.52	+0.6	8.13	4.78	15.14	76.54	2459.47	2449.33	2421.61	2315.09
45 Electricity (16)	1434.69	+1.6	14.48	5.11	8.90	55.01	1411.65	1402.58	1390.43	1236.20
46 Telephone Networks (4)	1465.29	+1.4	10.31	4.51	12.64	46.15	1445.10	1431.56	1423.16	1599.00
47 Water (11)	2896.09	+0.4	15.44	5.98	7.17	86.85	2885.98	2871.51	2845.02	2409.95
48 Miscellaneous (22)	2148.38	+0.4	6.14	4.69	20.43	55.33	2139.54	2157.07	2146.59	1861.01
49 INDUSTRIAL GROUP (482)	1281.40	+0.5	8.12	4.55	15.44	35.07	1275.17	1273.50	1263.86	1283.54
51 Oil & Gas (18)	2031.81	+0.9	6.64	6.38	19.74	85.40	2013.36	2019.42	2009.44	2415.02
59 500 SHARE INDEX (500)	1351.41	+0.5	7.97	4.74	15.79	39.07	1344.25	1343.09	1333.29	1380.68
61 FINANCIAL GROUP (83)	755.97	+0.8	–	5.84	–	30.11	749.74	747.37	741.43	804.13
62 Banks (9)	1034.80	+1.5	5.01	5.38	29.98	40.52	1019.72	1016.63	1004.29	951.95
65 Insurance (Life) (6)	1542.04	-0.2	–	5.89	–	67.14	1545.32	1539.04	1543.90	1476.89
66 Insurance (Composite) (7)	529.14	+0.5	–	5.69	–	18.85	526.31	524.93	526.42	613.62
67 Insurance (Brokers) (10)	713.23	-0.5	10.04	7.88	13.09	42.23	717.02	698.66	681.32	1127.16
68 Merchant Banks (7)	465.34	-0.1	–	4.81	–	13.71	466.04	465.27	457.02	466.50
69 Property (30)	540.12	+0.1	10.44	8.20	12.72	22.76	539.74	541.38	539.38	919.76
70 Other Financial (14)	241.70	......	8.27	6.90	15.89	9.35	241.77	241.57	239.93	258.91
71 Investment Trusts (70)	1149.01	+0.2	–	3.91	–	27.18	1145.62	1142.42	1133.30	1224.76
99 ALL-SHARE INDEX (653)	1207.77	+0.6	–	4.86	–	36.41	1201.00	1199.54	1190.67	1241.30

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1148.5	1146.9	1149.3	1146.0	1146.0	1146.0	1145.5	1145.5	1145.8	1145.8	1168.2	-22.4
Health & H	1251.9	1250.0	1257.7	1263.2	1259.7	1258.0	1258.5	1256.1	1256.8	1256.7	1256.3	+0.4
Water	1193.5	1193.1	1197.6	1197.6	1196.2	1196.1	1196.2	1197.5	1197.2	1197.0	1192.9	+4.1
Banks	1238.6	1233.5	1237.2	1247.2	1242.6	1240.9	1242.5	1243.9	1257.2	1255.6	1238.8	+16.8

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1992. © The Financial Times Limited 1992. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¼pc 1993		100	+1/16	100	97	8.25	8.05
10pc 1993‡‡		100 xd	—	101	99	9.98	8.03
12½pc 1993‡‡		103	—	103	100	12.10	7.83
Funding 6pc 1993‡‡		98	+1/16	98	95	6.07	7.31
Treas 13¾pc 1993‡‡		106⅛	—	106	103	12.98	[illegible]
8½pc 1994		100¾	—	100¾	96¼	8.44	[illegible]
14½pc 1994‡‡		108	—	109⅛	104	13.38	[illegible]
Exch 13½pc 1994		107 xd	+1/16	107	103	12.51	[illegible]
Treas. 10pc Ln. 1994‡‡		103	+1/16	103	98	9.69	[illegible]
Exch 12½pc 1994		107	+1/16	107	103	11.61	[illegible]
Treas 9pc 1994‡‡		101 xd	+¼	101	96⅝	8.83	[illegible]
12pc 1995		107⅞	+⅛	107⅞	102	11.12	[illegible]
Exch 3pc Gas 90–95		92xd	—	94	88¼	3.26	[illegible]
10¼pc 1995		105	+1/16	105	99	9.74	[illegible]
Treas 12¾pc 1995‡‡		112½ xd	+⅛	112¼	106⅛	11.37	[illegible]
14pc 1996		116½	+1/16	116½	109	12.12	[illegible]
9pc 1992–96‡‡		101	+⅛	101⅞	96	8.86	[illegible]
15¼pc 1996‡‡		120 xd	+1/16	120	113	12.67	[illegible]
Exch 13¼pc 1996‡‡		114 xd	+⅛	114	108	11.59	[illegible]
Conversion 10pc 1996		105 xd	+⅛	105	98	9.46	[illegible]
Treas 13¼pc 1997‡‡		116⅛	+1/16	116	109	11.39	[illegible]
Exch 10½pc 1997		107⅝	+⅛	107⅝	100	9.76	[illegible]
Treas 8¾pc 1997‡‡		101	+⅛	102	94	8.58	[illegible]
8¾pc '97 E		25	—	25	25	8.58	[illegible]
Five to Fifteen Years							
Exch 15pc 1997		124	+1/16	125	117	12.01	[illegible]
9¾pc 1998		105	+1/16	105	97	9.26	[illegible]
Treas 6¾pc 1995–98‡‡		94 xd	+1/16	94	86	7.15	[illegible]
15½pc '98‡‡		129	+1/16	130	123	11.97	[illegible]
Exch 12pc 1998		114	+1/16	114	107	10.49	[illegible]
Treas 9½pc 1999‡‡		104⅛	+⅛	104	97	9.10	[illegible]
Exch 12¼pc 1999		116	+⅛	117	109½	10.52	[illegible]
Treas 10½pc 1999		108	+1/16	108⅞	101	9.66	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999		107	+1/16	107	100	9.52	8.78
9pc 2000‡‡		102⅛	+1/16	102¼	94⅝	8.81	8.62
Treas 13pc 2000		121⅜	+1/16	121	114	10.71	9.12
10pc 2001		106	+1/16	106	99	9.38	8.88
14pc '98–01		121½	+1/16	121	115	11.52	9.05
9¾pc 2002		104	+1/16	105⅛	98⅝	9.29	8.99
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
Index – Linked	(b)						
Treas. 2pc '94	(102.9)	128 xd	+⅛	129⅛	122⅜	1.83	3.59
2pc '96	(67.9)	187	—	187⅞	176	2.85	3.59
4⅝pc '98	(136.3)	17	—	17¾	15	3.83	4.16
2½pc '01	(78.3)	152	+¼	152	139	3.74	4.10
2½pc '03	(78.8)	148¼	+1/16	150⅛	135	3.89	4.11
[illegible]							

FT INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1992. All rights reserved.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1992. All rights reserved.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

EQUITY FUTURES AND OPTIONS TRADING

THE DERIVATIVES market had one of its quietest days in recent sessions with very poor turnover and little in the way of features to prise dealers away from the sidelines, writes Joel Kibazo.

In stock index futures, the first trade in the December contract on the FT-SE was struck at a poor 2,568.

Sporadic buying, mainly from independent traders known as "locals", on the back of speculation of a cut in interest rates sent December gently forward so that by 10.45 the contract had reached 2,595 in very light trading.

However, that talk faded over the lunch time period leaving the contract to decline and then languish with a bout of sideways trading.

December picked up in the afternoon, gaining momentum on the back of a strong Wall Street and strength in other European markets which sent the contract to the day's high of 2,610 just before the market close. Following some profit-taking, December closed at 2,604, around 14 points above its estimated fair value premium to cash of about 32. Turnover was very thin reaching a meagre 5,604 contracts.

Traded options business was even more dull with volume reaching only 17,500 contracts with the FT-SE 100 option accounting for a mere 5,896 of the day's total.

Asda was the most actively dealt stock option at 4,712 contracts and was followed by British Steel at 1,000 lots.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	h	18⅝xd	-⅛	19⅛	14⅝	14,128	2.1
♥Allegheny & W		390p	—	407p	226p	202.7	4.5
Amdahl		459p	-19	1159p	455p	511.8	1.3
Amer Cyanamid		31⅝	-¼	37	28⅝	2,853	3.0
Amer Express		12xd	-3/16	13⅞	10 7/16	5,721	4.9
Amer T & T		24 7/16xd	-1/16	25 13/16	20⅛	32,499	3.2
Ameritech		38⅝	-½	40⅛	32½	16,911	5.3
BankAmerica		24 7/16xd	+⅛	27⅛	19 1/16	8,420	3.1
Bankers NY		37¼xd	+⅝	38 1/16	28⅞	3,029	4.3
Bell Atlantic		27⅛	-⅛	28⅛	23⅛	11,710	5.6
BellSouth		30½	—	32⅞	25	14,918	5.3
♥Bethlehem Steel		6¼xd	-3/16	9⅝	5¼	565.4	–
Bowater		1088pxd	-16	1579p	905p	389.4	6.5
CPC	h	26⅝xd	-3/16	28⅞	22⅛	2,994	2.7
♥Cadiz Land Inc		128p	—	342p	128p	–	–
California Engy		758p	+15	838p	591p	138.9	–
Chase Manhattan		12¼xd	-1/16	18½	9⅛	1,829	5.7
Chrysler		12 15/16xd	-⅛	13 13/16	6¼	3,783	2.7
Citicorp		8 13/16xd	+1/16	11¼	5⅜	3,159	–
Colgate-Palm		32⅝xd	-13/16	34 7/16	25¼	5,369	2.2
Cont'l Bank		933p	-30	1036p	499p	942.8	3.8
Dana		21 7/16xd	-½	24½	14 7/16	982.9	4.4
Data General		646p	+1	1004p	384p	178.3	–
♥Decora Inds		118p	—	122p	66p	–	–
Dun & Brad		33½	-½	34	27⅝	5,977	4.0
Eaton		44	-1⅛	46½	32½	1,519	2.9
Echlin		11⅛xd	-1/16	11⅜	7⅜	654.2	3.6
FPL		20 13/16xd	-1/16	21⅛	17 13/16	3,702	6.8
Fluor		24 9/16xd	-⅛	27	19¼	1,992	1.0
Ford Motor		20⅜xd	-1⅞	26⅛	15	9,903	2.9
Gen Elect		43⅞xd	-11/16	48⅛	36¼	37,482	3.1
♥General Host		572p	+35	572p	350p	–	3.7
Gillette		32⅝xd	-1	34 7/16	23 13/16	7,157	1.3
Hasbro		18⅞	+⅛	19⅝	12⅞	1,639	0.6
Honeywell		36¼	-3/16	43	32	2,544	2.8
Houston Inds		25½	—	26⅛	22	3,302	8.9
IBM		45 13/16xd	-1 1/16	54½	42¼	26,217	6.2
Ingersoll-Rand		15⅝	-11/16	19 1/16	12 11/16	1,629	2.6
Lockheed		27⅜	-⅛	27⅞	22⅛	1,678	4.5
Lowe's	h	1058p	-16	1273p	815½p	771.5	1.5
Merrill Lynch		27⅛xd	-1⅛	39 13/16	24⅞	2,805	2.6
Morgan (JP)		35⅞xd	-11/16	37½	28 7/16	6,849	3.5
Morris (Philip)		47 13/16xd	-1 1/16	50⅞	37 13/16	43,980	2.1
NYNEX		48½	-⅛	48¼	39⅝	9,929	5.6
Pall		15¼	-⅛	17 13/16	10 3/16	1,381	1.3
Pennzoil		30¼xd	-⅞	31¾	23⅛	1,248	5.7
Quaker Oats		35⅛xd	-½	40 7/16	28	2,898	3.2
Rockwell		15½xd	-1/16	15 15/16	11½	3,453	3.5
Rep NY		25¼xd	-3/16	28 1/16	20⅞	1,339	2.3
Sears, Roebuck		24 3/16xd	-3/16	28	19 3/16	8,472	4.8
Sthwestern Bell		38	-½	40⅛	31⅛	11,702	4.4
Sun Co		13⅝xd	-⅛	16⅞	12⅝	1,446	7.9
Tenneco		28xd	-3/16	28 7/16	16½	2,504	4.7
Texaco		35 3/16xd	-1 3/16	37 13/16	30 13/16	9,135	5.3
Time Warner	h	13⅝	-3/16	15½	11½	5,056	1.2
♥Unilab		337p	—	687p	320p	313.0	–
URS Intl 1c		0¾p	—	1¼p	0⅛p	2.71	–
US West		22¼	-⅛	22⅝	18⅜	9,121	5.6
Varity		1180p	-25	1385p	632p	284.1	–
Waste Manage		22⅛xd	-11/32	28	16 3/16	10,963	1.4
Whirlpool		2894pxd	-77	2796p	1765p	1,462	3.1
♥Woolworth		18⅝	-⅛	18⅞	13¼	2,429	3.5

CANADIANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
♥Abbot Energy		1¾p	—	2p	1¾p	–	–
Amer Barrick		1784p	+9	1824p	1263p	2,514	0.5
Bk Montreal		20⅞	-⅛	23¼	19¼	2,894	4.8
Bk Nova Scot		1039p	-16	1170p	899p	2,129	4.7
♥BC Gas		715p	-4	870p	621p	–	4.0
BCE		20⅞	-⅛	24½	18⅞	6,322	6.1
♥Brascan		809p	-9	957p	704p	807.2	6.1
♥Breakwater		15p	—	33p	6p	9.54	–
Can Imp Bk		1311p	-23	1819p	1157p	2,455	4.8
Can Pacific		731p	[illegible]	[illegible]	[illegible]	[illegible]	2.1

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Price	+or-	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Hemlo Gold C$	£4½	–¼	£6½	£3¾	433.9	2.1
Malinga Res	11½	–½	48	11½	1.27	–
North West Expl A$	3	—	8	2	1.01	–
Oryx Gold	51½	—	103	51	–	–
RTZ	587	–2	689	469	5,887	4.4
Western & Pac C$	21	+7	88	7	11.5	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).

● "Tap Stock"

\- Highs and lows marked thus have been adjusted to allow for rights issues for cash

† Interim since increased or resumed

‡ Interim since reduced, passed or deferred

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1250 a year for each security shown, subject to the Editor's discretion.

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181, quoting the code FT3973. Reports will be sent the next working day, subject to availability. Please quote the current code above, which is changed weekly. Only one report per company.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2126 for more details.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq. 0903 204631

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	214.3	217 7xd	231.5	-1.0	5.88
(Accum Units)	5	365 1	370.8	394 4	-1.8	5.88
UK Growth	5	276 0	278 4xd	296 1	-1 6	3 42
(Accum Units)	5	343.7	346.6	368.7	-2.0	3.42
Int Equity Gth ♣	5	48.54	48 69	51.79	-0.35	1.12
Intl Bond	5	60 76	60.76	63 81	+0 21	6.29
Special Sits Gwth	5	13.98	14.46xd	15 38	-0.11	3.64
North American Gwth	5	71.71	72.01xd	76 60	-1.33	0 96
European Growth ♣	6	50 42	50.69xd	53 92	-0.71	1.15

NM Unit Trust Mngrs (1200)F
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	33.21	33 21	35 42	-0.54	0.90
(Accum Units) ♥	5¼	36.07	36.07	38 47	-0 59	0.90
Australian ♥	5¼	198.70	200 80	215 40	-1.10	0 00
(Accum Units) ♥	5¼	224 70	227 10	243.60	-1.20	0.00
Conscience	5¼	51 15	51 15	54 58	-1.12	1 52
(Accum Units)	5¼	54.53	54 53	58 19	-1.19	1.52
European	5¼	143 60	143 60xd	153.10	-4 00	1.08
(Accum Units)	5¼	153.20	153 20	163 40	-4.20	1.08
Extra Income	5¼	62 01	62 01xd	66 17	-0.04	6.85
(Accum Units)	5¼	91.71	91.71	97 87	-0 05	6 85
Far East Gth Acc	5¼	111.80	111.80xd	119 50	+1.10	0.00
Gilt & F I	5¼	54.09	54.09	57 25	+0.05	8.05
(Accum Units)	5¼	124 10	124.10	131.30	+0.10	8.05
Gold ♥	5¼	26.20	26 20xd	28.17	-0.47	0.00
(Accum Units) ♥	5¼	28 21	28 21	30 33	-0.50	0 00
Income	5¼	42.81	42 81	45 66	-0 19	6 24
(Accum Units)	5¼	125.30	125.30	133.60	-0.50	6 24
Intnl	5¼	23.08	23.08	24.76	-0.25	1 09
(Accum Units)	5¼	32 98	32 98	35 38	-0.38	1.09
Jap Smaller Cos	5¼	204.70	204 70	218.30	+2.30	0 00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Smaller Cos	[illegible]	[illegible]	92.17	94.92	[illegible]	2.73
UK General	[illegible]	[illegible]	[illegible]	110.50	[illegible]	2.76
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	43.58	43.67	46.45	-0.08	2.15
Far Eastern Tst	6	-	-	30.00	...	1.00
Smaller Cos	5	105.9	110.4	117.4	-0.1	1.09
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	221.8	222.2	235.0	+1.1	1.02
S & W Capital	5	97.62	97.62	104.7	-0.3	2.06
S & W European	5	96.67	97.06	102.7	-0.7	1.58
S & W Far Eastern	5	94.98	95.29xd	100.8	-0.7	0.22
S & W Growth	5	105.6	106.9xd	113.1	+0.1	1.76
S & W Income	5	91.21	92.57xd	97.95	[illegible]	6.06
S & W Magnum	5	103.1	103.1	110.7	-0.2	1.98
S & W Smllr Secs	5	230.7	236.3xd	250.0	-0.5	1.24
S & W Consolidated	5	119.1	119.1xd	127.8	-0.5	1.93

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0962						
Challenger	2¼	79.07	79.07	80.93	-0.34	0.00
Short Dat Gilt	1¼	102.0	102.0	103.3	+0.1	1.93
Gilt Income	4	49.01	49.01xd	51.00	+0.05	9.30
Gilt Growth	4	60.06	60.06	62.51	+0.07	0.00
City Reserve	0	54.77	54.77	54.77	+0.02	10.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Swanmarket Fd	5	56.09	56.34	59.93	[illegible]	2.79

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Sep 16	530.6	547.5	..	1.27
James Capel Fund Managers Ltd				
Managed Exempt	[illegible]	118.464	[illegible]	4.68
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90	..	5.69
Fxd Int Sec Sep 30	144.40	145.00	..	10.00
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	166.2	168.1	+0.30	9.76
Charinco Acc	951.5	962.5	+1.80	9.76

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Pacific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group—Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Eurolife Assurance Group

Finerco International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Templevest Plc

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hoodminster Financial Services(Pty) Ltd

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mngt Plc

Northam Bingo & Partners

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Management Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Hastevilla Fund Managers (Guernsey) Ltd

Havelet Throgmorton Mngt (Guernsey) Ltd

Henderson Admin. (Guernsey)

Kleinwort Benson Intl Fd Mngrs Ltd

Latin America Capital Partners Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch (Guernsey)

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Management (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (u)

Hafnia Prolific International Mngmt Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (u)

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngrs (Ireland) Ltd

Federated International Funds Plc

GT Asset Management (Ireland) Ltd

Genesis Portfolio Managers Limited

Hambros Fund Managers (Ireland) Ltd

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Sanwa International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mngrs (1600)

Asset Global Funds Ltd (1200)

CMI Fund Managers Ltd

Gartmore Fund Managers (IoM) Ltd

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Managers (IoM) Ltd

Unibank Scandinavia Fund Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Fund Mngrs

Appleton Financial Advisers Ltd

CMI Fund Mngrs (IOM)

City Financial Admin (IoM) Ltd

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

FOREIGN EXCHANGES

DM tensions may not be over

THE DOLLAR closed weaker against the D-Mark at the end of European trading yesterday, as dealers digested Mr Alan Greenspan's weekend comments expressing concern at the lack of economic growth in the US, *writes James Blitz.*

At the end of last week, analysts asserted that the 6.5 percentage point differential between US and German interest rates had widened to its fullest extent, and that the heavy investment in D-Marks might subside. The dollar was well supported on that view.

Yesterday, despite a quiet day in the markets because of the Columbus Day vacation in the US, there were signs that an easing in the differential is not imminent. The chairman of the US Federal Reserve said that no US monetary policy initiative could be ruled out, and the dollar fell in Monday's Asian trading to DM1.4610. In Europe, it regained its poise, but closed 1½ pfennigs down on the previous close at DM1.4720.

An 11 basis point drop in the December Euromark futures contract signalled a revision away from the thinking that the Bundesbank will cut rates at its council meeting on Thursday. The market was over-optimistic about the prospects for a cut at the last Bundesbank council meeting, and people are still divided over how the German central bank is responding to the recession.

Mr Ian Beauchamp, chief economist at Hambros Bank in London, believes that a German rate cut will come soon and that there will be 7 per cent interest rates in Germany by the end of 1993. Mr Steve Hannah, chief economist at the International Bank of Japan in London, is more cautious. "The market is too far ahead of the Bundesbank," he said.

Uncertainties on German policy may be gently undermining the French franc, which closed down more than a centime yesterday at FFr3.40. compared to its ERM floor of FFr3.4305 against the D-Mark.

The franc, the benchmark of currency stability in Europe, could still survive in the ERM without a devaluation. But the franc's defence has left French commercial banks borrowing money from the authorities at a rate several points higher than their own lending rates.

"All the good news about German rates is already in the market," said Mr Hannah, "and, if the French ease rates now, it's hard to see where they can go next."

Sterling was barely affected by Mr Norman Lamont's appearance before the Treasury Committee of the House of Commons. Mr John Hall, an economist at Swiss Banking Corporation in London, spoke for several analysts when he said that that there was nothing new in the speech barring the restatement of a highly pragmatic economic policy. The pound closed down against the D-Mark at DM2.51.

£ IN NEW YORK

Oct. 12	Close	Previous Close
£ Spot	1.7055-1.7070	1.6910-1.6930
1 month	N/A	0.86-0.84pm
3 months	N/A	2.32-2.29pm
12 months	N/A	7.30-7.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Oct.12	Previous
8.30	am	82.6	82.5
9.00	am	82.6	82.6
10.00	am	82.4	82.5
11.00	am	82.7	82.5
Noon		82.6	82.3
1.00	pm	82.7	82.5
2.00	pm	82.7	82.7
3.00	pm	82.7	83.1
4.00	pm	82.8	82.8

CURRENCY RATES

Oct 12	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.851202	0.783074
U.S Dollar	3.00	1.43768	1.33436
Canadian $	5.34	1.79753	1.65954
Austrian Sch	8.25	N/A	13.8413
Belgian Franc	8.00	43.7306	40.5478
Danish Krone	9.50	8.19765	7.60384
D-Mark	8.25	2.12734	1.96751
Dutch Guilder	8.00	2.39043	2.21437
French Franc	10¼	7.20637	6.68180
Italian Lira	15.00	N/A	1735.71
Japanese Yen	3.25	174.894	161.457
Norway Krone	–	8.64980	8.00615
Spanish Peseta	–	151.718	140.735
Swedish Krona	50.0	7.99063	7.40502
Swiss Franc	6.00	1.88049	1.75268
Greek Drach	19	N/A	255.563
Irish Punt	–	N/A	0.750188

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.9

CURRENCY MOVEMENTS

Oct 12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	82.8	–28.3
U.S Dollar	61.7	–16.1
Canadian Dollar	95.0	–6.7
Austrian Schilling	114.4	+15.5
Belgian Franc	116.1	+1.4
Danish Krone	115.1	+8.0
D-Mark	125.5	+31.0
Swiss Franc	114.3	+22.7
Dutch Guilder	119.6	+20.5
French Franc	109.8	–7.5
Lira	87.2	–29.5
Yen	147.5	+84.3
Peseta	99.8	–24.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.9

OTHER CURRENCIES

Oct 12	£	$
Argentina	1.6825 - 1.6855	0.9900 - 0.9910
Australia	2.3610 - 2.3630	1.3875 - 1.3885
Brazil	11592.5 - 11599.5	6821.10 - 6821.30
Finland	7.9265 - 8.0210	4.6800 - 4.6900
Greece	320.750 - 327.200	187.870 - 191.630
Hong Kong	13.1470 - 13.1675	7.7315 - 7.7325
Iran	2427.00*	1435.00*
Korea(Sth)	1326.05 - 1347.45	781.60 - 787.80
Kuwait	0.50100 - 0.50200	0.29460 - 0.29490
Luxembourg	51.70 - 51.80	30.30 - 30.40
Malaysia	4.2490 - 4.2630	2.5035 - 2.5045
Mexico	5098.50 - 5110.00	3113.50 - 3114.50
N.Zealand	3.1330 - 3.1400	1.8430 - 1.8470
Saudi Ar	6.3555 - 6.4885	3.7495 - 3.7505
Singapore	2.7270 - 2.7390	1.6080 - 1.6100
S.Af (Cm)	4.8505 - 4.8650	2.8660 - 2.8680
S.Af (Fn)	7.4240 - 7.4725	4.3670 - 4.3955
Taiwan	42.85 - 43.00	25.20 - 25.30
U.A.E.	6.2230 - 6.3550	3.6715 - 3.6735

*Floating rate. Iran Official rate £107.05 $63.95

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.29193	2.21437	–3.38	4.66	49
Belgian Franc	41.9547	40.5478	–3.35	4.63	47
D-Mark	2.03412	1.96751	–3.27	4.54	57
French Franc	6.62216	6.68180	–2.06	3.24	–18
Danish Krone	7.75901	7.60384	–2.00	3.18	–17
Irish Punt	0.759300	0.750188	–1.20	2.35	–53
Portuguese Escudo	176.844	175.241	–0.91	2.05	0
Spanish Peseta	139.176	140.735	1.12	0.00	–36

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6945 - 1.7150	1.7045 - 1.7055	0.86-0.84cpm	5.98	2.33-2.30pm	5.43
Canada	2.1070 - 2.1455	2.1160 - 2.1170	0.30-0.10cpm	1.13	0.67-0.29pm	0.91
Netherlands	2.8005 - 2.8425	2.8225 - 2.8325	par-⅛cdis	–0.27	par-⅛dis	–0.18
Belgium	51.25 - 52.35	51.70 - 51.80	3-2cpm	0.58	3-7dis	–0.39
Denmark	9.6230 - 9.8040	9.7175 - 9.7275	2⅛-4⅞oredis	–4.32	7⅛-10½dis	–3.75
Ireland	0.9460 - 0.9630	0.9580 - 0.9620	0.95-0.50ppm	9.06	2.20-1.55pm	7.81
Germany	2.4870 - 2.5230	2.5075 - 2.5125	par-⅛pfdis	–0.30	⅛-⅛dis	–0.30
Portugal	221.95 - 225.70	223.00 - 224.00	225-484cdis	–19.03	505-1015dis	–13.6
Spain	177.60 - 182.30	178.00 - 178.30	45-155cdis	–6.74	225-360dis	–6.57
Italy	2181.00 - 2229.70	2209.25 - 2210.25	10-14lirdis	–6.52	29-37dis	–5.97
Norway	10.1470 - 10.3140	10.2425 - 10.2525	3⅛-4½oredis	–4.46	9-11⅛dis	–3.95
France	8.4505 - 8.6330	8.5275 - 8.5375	1⅛-2⅛cdis	–2.99	5½-6½dis	–2.81
Sweden	9.3730 - 9.5100	9.4325 - 9.4425	4⅞-6⅝oredis	–6.83	10⅞-12⅞dis	–4.98
Japan	205.50 - 206.75	205.75 - 206.75	1-⅞ypm	5.45	2½-2⅛pm	4.73
Austria	17.49 - 17.98	17.68 - 17.71	½-⅝gropm	0.38	par-2dis	–0.23
Switzerland	2.2025 - 2.2405	2.2275 - 2.2375	⅛-(3/2)cpm	5.71	1⅛-1⅛pm	2.13
Ecu	1.2750 - 1.2880	1.2870 - 1.2880	0.30-0.38cdis	–3.17	0.84-0.99dis	–2.84

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.26-4.21pm. 12 Month 7.48-7.38pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6945 - 1.7150	1.7045 - 1.7055	0.86-0.84cpm	5.98	2.33-2.30pm	5.43
Ireland†	1.7775 - 1.7975	1.7795 - 1.7805	2.50-1.80cpm	14.49	6.00-5.00pm	12.36
Canada	1.2425 - 1.2495	1.2435 - 1.2445	0.45-0.55cdis	–4.82	1.25-1.45dis	–4.34
Netherlands	1.6410 - 1.6635	1.6575 - 1.6585	0.86-0.89cdis	–6.33	2.27-2.31dis	–5.52
Belgium	30.05 - 30.45	30.30 - 30.40	15.00-17.00cdis	–6.33	40.00-45.00dis	–5.6
Denmark	5.6400 - 5.7050	5.7000 - 5.7050	3.75-5.75oredis	–10.0	11.00-14.00dis	–8.77
Germany	1.4570 - 1.4785	1.4715 - 1.4725	0.79-0.80pfdis	–6.48	2.07-2.09dis	–5.65
Portugal	130.75 - 131.30	131.15 - 131.25	175-250cdis	–19.44	475-650dis	–17.15
Spain	104.40 - 105.90	105.80 - 105.90	100-140cdis	–13.6	280-350dis	–11.9
Italy	1280.00 - 1308.00	1295.75 - 1296.25	12.00-16.00liredis	–12.96	34.00-41.00dis	–11.57
Norway	5.9395 - 6.0210	6.0075 - 6.0125	4.75-6.00oredis	–10.73	13.00-15.25dis	–9.40
France	4.9525 - 5.0225	5.0025 - 5.0075	3.75-4.10cdis	–9.41	9.90-10.40dis	–8.11
Sweden	5.4760 - 5.5645	5.5325 - 5.5375	4.80-6.30dis	–12.03	12.50-14.90dis	–9.90
Japan	120.50 - 121.40	121.00 - 121.10	0.08-0.09ydis	–0.84	0.16-0.18dis	–0.56
Austria	10.3650 - 10.3760	10.3650 - 10.3700	5.14-5.50grodis	–6.16	13.90-15.00dis	–5.58
Switzerland	1.2910 - 1.3175	1.3085 - 1.3095	0.37-0.40cdis	–3.53	1.02-1.06dis	–3.18
Ecu	1.3175 - 1.3380	1.3235 - 1.3245	1.04-0.99cpm	9.20	2.70-2.60pm	8.01

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Correction for 9/10/92, Germany Day's spread 1.4750-1.4860

EXCHANGE CROSS RATES

Oct.12	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.705	2.510	206.3	8.533	2.233	2.828	2210	2.117	51.75	178.2	1.288
$	0.587	1	1.472	121.0	5.005	1.310	1.659	1296	1.242	30.35	104.5	0.755
DM	0.398	0.679	1	82.19	3.400	0.890	1.127	880.5	0.843	20.62	71.00	0.513
YEN	4.847	8.265	12.17	1000.	41.36	10.82	13.71	10713	10.26	250.8	863.8	6.243
F Fr.	1.172	1.998	2.942	241.8	10.	2.617	3.314	2590	2.481	60.65	208.8	1.509
S Fr.	0.448	0.764	1.124	92.39	3.821	1	1.266	989.7	0.948	23.18	79.80	0.577
N Fl.	0.354	0.603	0.888	72.95	3.017	0.790	1	781.5	0.749	18.30	63.01	0.455
Lira	0.452	0.771	1.136	93.35	3.861	1.010	1.280	1000.	0.958	23.42	80.63	0.583
C$	0.472	0.805	1.186	97.45	4.031	1.055	1.336	1044	1	24.44	84.18	0.608
B Fr.	1.932	3.295	4.850	398.6	16.49	4.315	5.465	4271	4.091	100.	344.3	2.489
Pta	0.561	0.957	1.409	115.8	4.788	1.253	1.587	1240	1.188	29.04	100.	0.723
Ecu	0.776	1.324	1.949	160.2	6.625	1.734	2.196	1716	1.644	40.18	138.4	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

Oct 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¼ - 9	9¼ - 9	8⅞ - 8¾	8¾ - 8⅝	8⅝ - 8½	8¼ - 8⅛
US Dollar	3¼ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3¼ - 3⅛	3⅜ - 3¼	3½ - 3⅜
Can. Dollar	6⅞ - 6⅝	7 - 6⅞	7⅛ - 7⅞	7⅞ - 7⅞	7⅝ - 7½	7⅝ - 7½
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8⅞	9 - 8⅞	8⅞ - 8¾	8⅝ - 8½	8⅜ - 8¼
Swiss Franc	6⅛ - 5⅞	6⅛ - 5⅞	6⅜ - 6⅛	6⅜ - 6¼	6⅜ - 6¼	6¼ - 6⅛
D-Mark	9⅛ - 9	9⅛ - 9	9⅛ - 8⅞	8⅞ - 8¾	8⅜ - 8¼	8⅛ - 8
French Franc	11⅝ - 11½	11¾ - 11½	11¾ - 11½	11⅜ - 11⅛	10⅝ - 10⅜	9¾ - 9⅝
Italian Lira	21 - 16	15 - 14	15 - 14¼	15 - 14¼	15 - 14¼	15 - 14½
Belgian Franc	9 - 8⅞	9 - 8⅞	9 - 8⅞	8⅞ - 8⅞	8⅝ - 8½	8½ - 8⅜
Yen	4⅛ - 4	4⅛ - 4	4⅛ - 4	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅝
Danish Krone	11 - 10	13 - 11	13 - 12	13 - 11	13 - 11	13 - 11
Asian $Sing	1⅝ - 1½	1⅝ - 1½	1¾ - 1⅝	1⅞ - 1¾	1⅞ - 1⅞	2⅛ - 2⅛
Spanish Peseta	13 - 12⅞	13⅛ - 12⅞	13½ - 13⅛	13⅝ - 13½	14 - 13⅞	14⅛ - 13⅞

Long term Eurodollars: two years 4⅛-4⅛ per cent; three years 5-4⅞ per cent; four years 5½-5⅜ per cent; five years 5⅞-5⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

[illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

[illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100%

[illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

December 104.70 104.44 -0.36 104.76 104.52 9.23 12,968
Estimated volume 1,535 † Total Open Interest 12,968

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	3.13	-	-	0.20	-	-
107	2.32	-	-	0.36	-	-
108	1.56	-	-	0.60	1.06	-
109	0.96	-	-	1.00	-	-
110	0.55	1.40	-	1.56	-	-
Open Int.	335,795	84,074	1,702	220,140	62,513	1,460

Estimated volume 14,617 † Total Open Interest 705,684
† All Yield & Open Interest figures are for the previous day.

Mar 2636.0 2608.0
Jun 2658.0 2640.0 2634.0 2630.0
Estimated volume 7351 (11970)
Previous day's open int. 44052 (44762)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7050	1.6966	1.6819	1.6627	1.6335

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bnk	9
Allied Trust Bank	9	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Duncan Lawrie	9	Mount Banking	9
● Henry Ansbacher	9	Equatorial Bank plc	9	NatWestminster	9
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	9
Bank of Baroda	9	Financial & Gen. Bank	9	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	9	● Robert Fleming & Co.	9	Provincial Bank PLC	14
Bank of Cyprus	9	Robert Fraser & Ptnrs.	9.5	● Rea Brothers	9
Bank of Ireland	9	Girobank	9	Roxburghe Bank Ltd.	10
Bank of India	9	● Guinness Mahon	9	Royal Bk of Scotland	9
Bank of Scotland	9	Habib Bank AG Zurich	9	● Smith & Williamson Secs.	9
Banque Belge Ltd	9	● Hambros Bank	9	Standard Chartered	9
Barclays Bank	9	Hampshire Trust Plc	13.5	TSB	9
Brit Bk of Mid East	9	Heritable & Gen Inv Bnk.	9	Unibank plc	9
● Brown Shipley	9	● Hill Samuel	9	● United Bk of Kuwait	9
CL Bank Nederland	9	C. Hoare & Co.	9	Unity Trust Bank Plc	9
Citibank NA	9	Hongkong & Shanghai	9	Western Trust	9
City Merchants Bank	9	Julian Hodge Bank	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	● Leopold Joseph & Sons	9	Yorkshire Bank	9
Co-operative Bank	9	Lloyds Bank	9		
Coutts & Co	9	Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates ease again

CASH rates in the sterling money market softened yesterday morning as dealers continued to believe that a near-term cut in UK base rates might become possible, *writes James Blitz.*

However, towards the end of the day, several dealers felt that the possibility of a base rate cut had receded following comments from the chancellor of the exchequer to the House of Commons Treasury Select Committee, and an analysis of the Bank of England's operations in the sterling money market.

As one discount house dealer put it: "Nothing in what the chancellor said gave me the impression that base rates were about to come down."

The structure of Mr Norman Lamont's economic policy was not fleshed out in any more detail, but some dealers felt that there was a clearer commitment to managing the exchange rate to ensure that inflation is controlled.

In the morning, the Bank of England's offer to deal in the *early round without* a repurchase agreement fuelled speculation that a rate cut was imminent.

Traditionally, the Bank offers to buy a "repo" at the established rate when it wants to kill all thought of a base rate move.

The news that it was offering to deal in the shorter-dated Bands 1 and 2 actually heightened speculation of a cut, pushing 3-month money down to 8¾ per cent. The December short sterling contract shot up to its highest level since 9 per cent base rates were introduced, peaking at 91.98.

According to one dealer, the Bank turned down offers to buy bills at cheaper rates, re-establishing the rates for Bands 1 and 2 at 8¾ per cent. "By turning cheaper deals away, the Bank sent a strong message to the market that rates are not going to change," he said.

The December short sterling contract later fell back to close at 91.89, 1 basis point up from its opening level. Cash rates retained their optimistic tone, with 3 month money closing ⅛ per cent down on the offered side at 8¾ per cent. One month money closed at 8⅞ per cent from 9⅛ per cent offered.

The Bank revised its forecast shortage down from £750m to £500m, buying £4m of Band 1 bank bills, a further £254m in the afternoon, and providing late assistance of £165m.

UK clearing bank base lending rate
9 per cent
from September 22, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.12) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm (Oct.9)

		Treasury Bills and Bonds			
Prime rate	6	One month	2.77	Three year	4.47
Broker loan rate	5	Two month	2.89	Five year	5.51
Fed. funds	3	Three month	2.89	Seven year	6.09
Fed. funds at intervention	-	Six month	3.05	10-year	6.52
		One year	3.18	30-year	7.53
		Two year	4.00		

Oct.12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	8.90-9.00	8.90-9.00	8.80-8.95	8.35-8.50	9.50
Paris	11⅝-11¾	11½-11¾	-	11½-11¾	-	9.60
Zurich	5¾-6⅛	6⅛-6⅜	-	6⅛-6⅜	-	-
Amsterdam	8.75-8.90	8.75-8.88	-	8.57-8.67	-	-
Tokyo	4¼-4¼	4¼-4¼	-	-	-	-
Milan	16⅛-16⅝	15¾-15⅞	-	15⅞-16⅛	-	-
Brussels	8⅞-9	8¾-9	-	8⅞-8⅞	-	-
Dublin	15-25	13-14	12½-13½	12¼-13¼	11¼-12¼	-

LONDON MONEY RATES

Oct 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9⅞	9¼	9	8⅞	8½	8¼
Interbank Bid	7½	9	8⅞	8⅝	8⅜	8⅛
Sterling CDs	-	-	8⅞	8⅝	8½	8½
Local Authority Deps.	9⅛	9⅛	8⅞	8⅝	8½	8⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8⅞	8⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-		8⅞	8⅝	[illegible]	8⅛
Treasury Bills (Buy)	-		8⅝	8⅝	[illegible]	-
Bank Bills (Buy)	-		8⅞	8⅝	8	-
Fine Trade Bills (Buy)	-		-	-	-	-
Dollar CDs	-		3.17	3.18	3.1	3.35
SDR Linked Dep Offer	-	-	6	6	6	6
SDR Linked Dep. Bid	-	-	5	5⅞	5⅞	5⅞
ECU Linked Dep. Offer	-	-	11	11½	10⅞	10¼
ECU Linked Dep. Bid	-	-	11¼	11¼	11	10

Treasury Bills (sell): one-month 8⅛ per cent; three months 8⅛ per cent; six months 8⅛ per cent; Bank Bills (sell): one-month 8⅞ per cent; three months 8⅝ per cent; Treasury Bills; Average tender rate of discount 8.0821. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992, Scheme I: 11.18 p.c., Schemes II & III: 11.18 p.c. Reference rate for period August 29, 1992 to September 30, 1992, Scheme IV&V, 10.112 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 5½ per cent; one-three months 8 per cent; three-six months 7¼ per cent; six-nine months 7¼ per cent; nine-twelve months 7 per cent; Under £100,000 5½ per cent from Sep 23, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

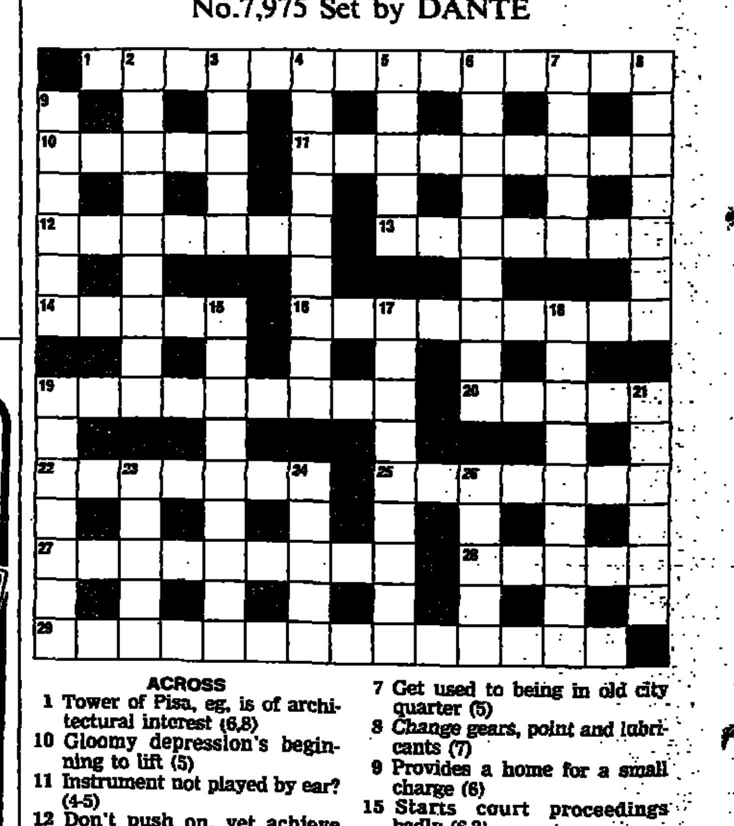
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,975 Set by DANTE



ACROSS

1 Tower of Pisa, eg, is of architectural interest (6,8)
10 Gloomy depression's beginning to lift (5)
11 Instrument not played by ear? (4-5)
12 Don't push on, yet achieve one's end (4,3)
13 They reckon they work in a bank (7)
14 Reacts like a startled horse and throws (5)
16 Is about to defame the British, perhaps (9)
19 Insert of two pages Alfie rent in error (9)
20 These are sure to be brisk for beer on board (5)
22 Ill-starred men of commerce (7)
25 Cunning action made with the French in view (7)
27 So unruly, I disrupted in a disastrous way (9)
28 We are kept away from home in it (5)
29 Activity in which one may reach one's peak (14)

DOWN

2 The present perfect? (5,4)
3 Elephant's tail, something like the trunk (5)
4 A shameful retreat? (3,2,4)
5 Thrown out of bed earlier than arranged (5)
6 Fifty one cats may haul people to safety (4-5)
7 Get used to being in old city quarter (5)
8 Change gears, point and lubricants (7)
9 Provides a home for a small charge (6)
15 Starts court proceedings badly (6,3)
17 Existing fashion? (4,5)
18 Instruct England's opening pair before and after the match (9)
19 Termini switched for the time being (7)
21 Pay to stay (6)
23 A valediction is something cast in gold (5)
24 Bring us up his cooked dish from Japan (5)
26 Threefold anaesthetic (5)

Solution to Puzzle No.7,974

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 12	Oct 9	Oct 8	Oct 7	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3174 41	3136 58	3176 03	3152 25	3413 21 (1/6)	3136 58 (9/10)	3413 21 (1/6/92)	41 22 (2/7/32)
Home Bonds	102.45	102.48	102.54	102 47	103.20 (18/9)	98 41 (20/3)	103 20 (18/9/92)	54.99 (1/10/81)
Transport	1229 02	1219 56	1244.33	1238 49	1467.68 (20/2)	1204 40 (26/8)	1532.01 (5/9/89)	12 32 (8/7/32)
Utilities	216 39	214 76	216.07	215 57	225.59 (3/1)	200 74 (8/4)	236.23 (2/1/90)	10 50 (8/4/32)

DJ Indl. Day's High 3186.29 (3176.57) Low 3140.10 (3120.37) (Theoretical♠)
Day's High 3174.68 (3176.30) Low 3136.31 (3131.72) (Actual♠)

STANDARD AND POOR'S

	Oct 12	Oct 9	Oct 8	Oct 7	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	407 44	402.66	407.75	404.25	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4 40 (1/6/32)
Industrials	476 68	471.36	478.06	473 47	503 30 (14/9)	470 91 (8/4)	503 30 (14/9/92)	3.62 (21/6/32)
Financial	35 61	35 17	35 45	35.39	36 66 (3/8)	32 40 (8/4)	36 66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	224 28	222 11	224 62	222 84	233 73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amer Mkt. Value	365.98	364.85	367.01	366.88	418 99 (12/2)	364 85 (9/10)	418 99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	573.84	570.52	573 88	569.20	644 92 (12/2)	547 84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 9	Oct 2	Sep 25	year ago (approx.)
Dow Industrial Div. Yield	3 31	3 24	3 19	3.10

	Oct 7	Sep 30	Sep 23	year ago (approx.)
S & P Industrial div. yield	2.80	2.70	2.68	3.24
S & P Indl. P/E ratio	26.45	27.40	27.57	20.53

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Merck	3,213,100	41¼	+ ⅛
Gen Motors	1,694,300	30¼	+ 1⅝
Ford Motor	1,547,700	36¼	+ 1¼
Chrysler	1,542,900	22⅞	+ ⅜
Coca Cola	1,523,900	36¼	- ¼
Adv Micro	1,376,900	12½	+ ⅝
Amer Waste	1,238,600	3⅜	+ ½
Compaq Comp	1,159,500	36	- ½
Philip Morris	1,158,200	82¾	+ 1
Maxus Energy	1,122,400	7¼	+ ¼

TRADING ACTIVITY

† Volume (Millions)	Oct 12	Oct 9	Oct 8
New York SE	126.590	178.910	203.780
Amex	6.964	9.530	10.212
NASDAQ	(u)	170.243	197.854
NYSE			
Issues Traded	2,271	2,303	2,301
Rises	1,103	516	1,066
Falls	603	1,186	639
Unchanged	565	601	596
New Highs	27	28	35
New Lows	37	62	52

CANADA

TORONTO	Oct 12	Oct 9	Oct 8	Oct 7	1992 HIGH	1992 LOW
Metals & Minerals	(c)	2650.40	2681.94	2637.92	3238.87 (16/1)	2637.92 (7/10)
Composite	(c)	3218.49	3237.20	3215.36	3666.00 (16/1)	3215 36 (7/10)
MONTREAL Portfolio	(c)	1677.58	1691.53	1676.69	1937.59 (16/1)	1668.96 (2/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's)

	Oct 12	Oct 9	Oct 8	Oct 7	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1462.9	1466.2	1465.6	1455 4	1684.50 (22/5)	1452 40 (6/10)
All Mining (1/1/80)	630.3	638.0	640 9	635.7	726 80 (3/7)	630 30 (12/10)
AUSTRIA						
Credit Aktien (30/12/84)	317.95	320.77	320.35	319.56	458.57 (24/2)	291 41 (13/8)
Traded Index (2/1/91)	770.52	776 16	774.12	771.53	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1092.54	1094 87	1089.27	1077 15	1235 40 (2/6)	1046 07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	254 80	255.10	255.35	254.73	365.29 (15/1)	254 73 (7/10)
FINLAND						
HEX General (28/12/90)	604.1	607.9	613 6	612.2	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	446.36	454 69	449.76	441.70	556 93 (12/5)	441 70 (7/10)
CAC 40 (31/12/87)	1665 05	1657.34	1673.86	1664 15	2077 49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	565 61	573.47	576 42	570.27	725 26 (26/5)	565 61 (12/10)
Commerzbank (1/12/53)	1594 6	1617 7	1626 8	1607 6	2043 80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1432.54	1439.66	1451.12	1436.05	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5725.57	5596 71	5556.53	5589.03	6162.53 (16/7)	4301 78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1115.64	1116.69	1115.43	1102.94	1469.57 (17/1)	1102 94 (7/10)
ITALY						
Banca Com. Ital. (1972)	396.85	397.57	382 47	369 93	551.59 (6/2)	354 93 (16/9)
MIB General (2/1/92)	783 0	786.0	755.0	730.0	1086 00 (5/2)	696 00 (16/9)
JAPAN						
Nikkei (16/5/49)	17302.01	17059 78	17335.51	17111.74	23801.18 (6/1)	14309 41 (18/8)
Tokyo SE (Topix) (4/1/68)	1309.33	1298.65	1304 69	1299 09	1763 43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1687.91	1691.10	1692.76	1693.14	2459 85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	602 60	600.25	591.77	590.59	619 06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS TR Ret.Gen (End 1983)	287.0	286.8	287 0	285.5	314.90 (9/6)	274 00 (8/1)
CBS All Shr (End 1983)	193 5	193.4	193.5	192.5	215 50 (26/5)	189 70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	581.63	583.45	578.31	575.54	772.74 (18/5)	532 43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1391.88	1408.13	1403.82	1407 80	1580 95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	354.03	355 02	355.25	359.63	416.99 (21/1)	354 03 (12/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	817 04	853 0	861.0	874.0	1327 00 (21/1)	817 00 (12/10)
JSE Industrial (28/9/78)	4038.04	4066.0	4082 0	4080.0	4689 00 (4/6)	3973 00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	514 90	524.27	518 43	524.38	691 48 (8/2)	459 07 (21/8)
SPAIN						
Madrid SE (30/12/85)	(c)	193.91	192.71	186 80	266.51 (28/2)	179 48 (5/10)
SWEDEN						
Affarsvariden Gen. (1/2/37)	666.3	668.0	653 1	655.5	1014.50 (11/5)	639 00 (5/10)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	840 7	839.5	835.2	828.5	883 40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	634 9	635.0	633.0	629.7	682.30 (21/5)	596 40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3682 83	3622 75	3688.21	3592.12	5391.63 (30/1)	3351 63 (26/9)
THAILAND						
Bangok SET (30/4/75)	871.71	886.34	883.36	872.00	886.34 (9/10)	667 84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	485.7*	482.7	487 1	486.7	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	805 20	805.58	801.53	792.36	976.55 (25/5)	772.52 (5/10)

**Saturday October 10: Taiwan Weighted Price: (c), Korea Comp Ex. 525.77
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500.
(c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Monday October 12 1992

	Stocks Traded	Closing Prices	Change on day
Npn Steel Corp	3.6m	292	-2
Mitsui Mtn Sml	3.0m	469	-6
Cannon Inc	3.0m	1,280	+50
Hitachi	2.4m	760	+11
Sumitomo Chem	2.4m	250	-2
Hitachi Zosen	2.1m	565	+12
Chugoku Marine	2.0m	685	-3
Toshiba Corp	1.7m	579	+13
Nikken Chem	1.7m	1,070	+50
Green Cross	1.7m	1,570	-10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close October 12

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.3	18	454	11¼	d11	11⅛	-⅛
26	18	A L Labs A	0.18	0.8	82	152	23¼	22½	23½	+½
68¾	52⅞	AMP Inc	1.52	2.6	23	948	59¾	59½	59½	
80¼	54⅝	AMR				206388	56⅛	d54⅞	56⅛	+¼
2⅛	1⅛	ARX			19	318	1⅞	1⅝	1⅞	
53½	32⅞	ASA	2.00	5.9	22	261	34⅞	d33⅞	34⅛	-½
34¼	26⅛	Abbott Lab	0.60	2.1	20	5929	28⅞	28¼	28⅞	+⅜
13⅞	11⅛	Abitibi Pr	0.50	4.4	6	2	11¼	11¼	11¼	
11⅝	10⅛	ACM Gvt In	0.96	8.6		239	11¼	11⅛	11⅛	-⅛
10⅞	9½	ACM GvOpp	0.79	8.1		38	9¾	9⅝	9⅝	-⅛
9¼	8½	ACM Gvt Sp	0.79	8.4		621	9½	9⅜	9⅜	
11⅞	10⅛	ACM Gvt Se x	0.96	8.7		109	11⅛	11	11	-⅛
10⅝	8⅝	ACM Man	1.08	10.7		935	10½	10⅛	10⅛	-¼
12⅞	9⅞	ACM Manage	0.99	10.0		428	10¼	d9⅞	9⅞	-⅛
11¾	4¾	Acme Cleve	0.40	6.2	12	67	6¾	6½	6½	-⅛
6¾	3¼	Acme Elect			30	10	4	3⅞	4	+½
33¾	14⅞	Acuson			10	453	15¾	15½	15⅞	+⅛
20	18⅛	Adams Expr	0.48	2.5	0	60	19¼	19⅛	19¼	
49½	29½	Ad Micro	3.00	8.0		200	37⅝	37	37⅝	+⅝
21½	7½	Ad Micro P	3.00	24.0		49808	12½	12¼	12½	+⅝
9⅞	4⅞	Advest Grp	0.16	2.9	68	17	5⅝	5½	5½	
41⅞	33	Aegon ADR	1.68	4.1	7	125	40⅞	40⅝	40¾	+⅛
47	38	Aetna Lf	2.76	6.5	10	425	42½	41⅞	42½	+⅞
12⅝	8⅞	Ahri A	0.24	2.2	13	187	11⅛	10⅝	11	+¼
34	24	Aflac	0.44	1.4	14	238	30⅝	29⅞	30⅛	+⅜
13⅝	13	Ahmanson	0.88	6.6		61377	13⅞	13⅛	13⅛	+⅛
22½	4¼	Aileen Inc			7	198	4½	d4¼	4¼	-⅛
49½	36½	Air Pr Chm	0.86	2.0	18	740	42⅞	42⅛	42⅞	+⅝
29¼	12½	Airbne Frt	0.30	1.9	31	65	16⅛	16	16⅛	+⅛
34¾	22⅝	Airgas Inc			27	207	32¾	32⅛	32½	+¼
12⅞	8⅛	Airlease x	1.68	15.6	8	34	10⅞	10½	10¾	+¼
104	99½	AlaPwB 16	8.16	8.0		z100	101¼	101¼	101¼	
105	100¼	Alab 8.28C	8.28	8.0		4	100½	100¼	100¼	

[illegible]

- B -

[illegible]

هكذا صنت أبا جهل

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34¼	30	St.Joes.LP	4.72	5.7	23	11	30⅝	30¼	30¼	+⅛
80⅝	56½	St.Paul's x	2.72	3.7	5	629	74⅛	73½	74½	+⅞
8½	2⅞	Salant Crp			10	48	7¼	7	7	
76	63½	Sallie Mae	1.00	1.4		687	70¼	69¼	70	+¼
14¼	13	Salomon Br	0.60	4.4		118	14	13¾	13¾	-⅛
38	26¾	Salomon Inc x	0.64	1.7		102882	37½	35⅞	37	+1
25	21¼	SanDgo.G&E	1.44	6.1	14	225	23⅝	23⅜	23⅝	+¼
4⅞	2⅝	SantaFeEn x	0.40	10.3	43	32	4	3⅞	3⅞	-⅛
9⅞	7	SantaFeEn x	0.16	1.7	207	1116	9½	9¼	9½	+¼
39½	30⅝	SantaFePac	2.80	7.2	11	60	39	38¾	38⅞	
14⅛	10⅝	SantaFeSth	0.10	0.9	17	984	11⅝	11½	11⅝	+⅛
68½	46⅝	Sara Lee	1.00	1.8		181079	57¼	56½	56⅞	+⅝
9½	1¼	Savin				0	4	1⅞	1½	1½
44¾	36⅞	Scana Corp	2.68	6.3	13	266	42⅛	41⅞	42⅛	-⅛
47⅝	40¼	Scecorp	2.80	6.4		131162	43¾	43½	43⅝	
68	49⅞	ScheringPl	1.60	2.6		173654	60½	59¼	60	+⅞
69⅞	52¼	Schl'berger	1.20	1.8		181687	68¼	67¼	68⅛	+⅝
37¾	16⅛	Schwab(C)	0.24	1.4	8	870	17¼	17⅛	17⅝	+¼
10⅝	4¾	Schwitzer				43	151	4⅛	d4⅝	4⅞
29⅞	15¼	ScientAtla	0.16	0.6	40	631	28¾	28½	28½	-⅛
10⅝	7⅛	Scotsman x	0.10	1.1	10	z100	8¾	8¾	8⅞	
46	34½	ScottPaper	0.80	2.2	18	286	36⅛	35⅞	36	
17½	13½	ScudderAsF	0.22	1.6		54	14⅛	14	14⅛	+⅛
9⅞	8⅞	ScudderNEuF	0.30	3.5		67	8⅞	8½	8½	-⅛
24	13	Sea Contrs	0.67	4.9	8	4	13⅞	13¾	13⅝	
15⅞	14⅞	SeaC1.4625	1.46	9.6		z100	15⅞	15⅜	15⅜	
31	25⅛	Seagram Co	0.56	2.2	15	660	25¾	25½	25¾	+¼
32	21⅛	Seagull En			104	294	30⅝	29⅛	30⅝	+1⅛

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29¾	17⅞	Teledyne	0.80	4.5	16	160	17⅞	d17⅛	17⅝	
36⅞	29⅛	TeleEspSA	2.06	7.4		51899	27¾	27⅛	27¾	
60	40½	Telmex ADR	0.48	1.1		2124089	44⅝	44⅛	44⅝	
57½	43⅞	Templeinl	0.96	2.2		171045	45	44⅛	44⅝	
26⅛	19½	TempltEmMk	4.03	18.0		622	22⅝	22	22⅛	
10⅝	8⅝	TempltGlob x	0.89	9.4		413	9	8⅞	8⅞	
9⅞	8½	TempltGlFr x	0.84	9.2		1182	9⅛	9	9⅛	
46	31¼	Tenneco Inc	1.60	4.6		193208	34⅝	33⅝	34⅝	
23⅞	19½	Teppco Pts	2.20	9.6	14	139	22⅞	22½	22⅞	
20½	10	Teradyne			16	263	13⅝	13¼	13⅝	
18½	6⅝	Terex	0.05	0.8	2	33	8	7¾	7⅞	
5⅛	4½	Terra Inds			10	37	4⅝	d4½	4½	
8⅝	2½	Tesoro Pet			1	91	3⅝	3½	3⅝	
66⅞	56⅞	Texaco	3.20	5.2		187227	61¼	60½	61¼	
54½	52	Texaco C	3.75	7.0		z100	53½	53½	53½	
25¼	10⅞	Texas Ind	0.20	1.0	49	45	19⅞	19⅞	19⅞	
45	30	Texas Inst	0.72	1.6		284130	44⅛	44	44⅝	
23¼	17	Texas Pac	0.40	2.3	33	24	17¼	17½	17⅝	
43¾	37	Texas Util	3.04	7.4	19	479	41⅛	41⅛	41⅛	
10¾	9⅝	TexG Pf	1.10	10.6		10	10⅜	10⅜	10⅜	
9⅛	4⅞	TexD Inds	1.10	15.4	7	25	7⅛	7⅛	7⅛	
39⅞	33⅞	Textron	1.12	3.2	9	683	35⅜	35	35⅛	
6⅛	4⅛	Thackeray			23	20	4⅞	4⅞	4⅞	
9½	7½	Thai Cap	0.25	2.6		374	u9½	9½	9½	
18⅞	13¼	Thai Fund	0.68	4.0		45	17	16⅞	16⅞	
47½	37½	ThermoElec			20	138	42⅞	42	42⅛	
17¾	13¼	Thiokol	0.40	2.6	5	193	16⅛	16	16	
69	54¼	Thomas & B	2.24	3.3	32	173	67	65⅞	67	+1

- W -

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11	9½	Zweig Tot	0.96	9.5		906	10⅛	10	10⅛	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s) b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

4 pm close October 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet Hl&P	1.14	13	75	16½	16¼	16¼	-⅛
Phil LD	0.26	16	619	38⅝	38¼	38½	+¼
Pitway A	1.10	16	24	29⅞	29¾	29¾	+⅛
Ply Gem	0.12	20	35	9⅝	9⅝	9⅝	
PMC x	0.68	14	50	10⅞	10¾	10¾	-⅛
PresidioA	0.10	1	58	1⅛	d1⅛	1⅛	
Price Com		0	31	1/16	d1/16	1/16	
RB&W Cp		2	5	3⅞	3⅞	3⅝	-⅛
RiedelEnv		6	18	7½	7½	7½	+¼
SJW Corp	1.98	7	2	34	34	34¼	+¼
SthnUnion		47	46	16⅛	16	16⅛	
Sterl El		11	19	3⅞	3⅞	3⅞	
TII Ind		2	4	1⅜	1⅜	1⅜	
Tab Prods	0.40	33	612	10⅜	10¼	10⅜	
Tel&Data	0.32	43	49	33¼	33	33¼	+⅛
Thermedics		135	35	8¼	8⅛	8⅛	
Thermoinst		26	12	27⅜	27¼	27¼	-¼
Total Pet	0.40	13	48	5¼	5⅛	5¼	+⅛
TownCntry		0	89	1 13/16	1¾	1¾	
Tubos Mex		6	64	5½	5¼	5⅜	-⅛
UtdFoodsA		3	17	1⅜	d1⅜	1⅜	-⅛
UtdFoodsB	0.20	4	10	1½	1½	1½	
UnivPats		33	75	10⅜	9½	10⅜	
US Cellul		89	25	19	18⅞	18⅞	
Vivigen		94	158	14¾	14⅝	14⅝	-⅛
VangLab C		0	5	2	2	2	
VangLab B		0	844	½	7/16	7/16	
Weatherfd		18	71	6⅝	6½	6⅜	-⅛
Westamr	0.52	9	10	19⅝	19½	19½	-⅛
WIRET	1.12	16	88	12⅜	12⅛	12¼	-⅛
Worthen	0.10	9	192	21	20¾	21	+¼
Xytronix		6	66	6	5⅞	6⅞	-⅛

NASDAQ NATIONAL MARKET

4 pm close October 12

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Warner En	0.08	18	18	17¾	17	17¾	+¾
Warmtech		34	2082	2⅞	2 9/16	2⅞	+5/16
WashMutSB	0.52	9	103	25⅝	25¼	25⅝	+⅛
WshEnergy	1.40	29	620	22½	22	22½	
WashFedSL	0.84	10	246	25	24½	25	-⅛
WatsIndA	0.28	18	112	47	45½	46⅝	+1⅛
Wausau PM	0.34	13	161	36	34¾	36	+1⅝
WD-40	1.80	17	83	42½	41½	42½	+1
Weitek		2	703	3⅛	3	3⅛	+⅛
West One x	1.04	12	415	42½	41¾	41⅛	-⅝
WstnPubl		26	1142	23¼	22⅝	23	
Wst SealA		22	79	9	8¾	8¾	
Wetterau	0.68	13	102	30⅛	30	30	
Willamette	0.84	20	1560	31¼	31	31½	-¼
[illegible]		78	97	12⅛	11½	11¾	
Wiser Oil	0.40	541	7	16¼	16	16¼	+⅛
Wolohan L	0.28	15	337	22	21¼	21⅝	+⅛
Wolv Expl		0	100	5/16	5/16	5/16	
WlvExW93A			20	1/16	d1/32	1/32	
Wthington	0.48	20	1327	19⅜	19	19⅛	-⅛
WPP Group	1.11	0	237	1⅛	d1	1	
Wyman-Gdn	0.40	4	326	5	4⅞	4⅞	-⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		20	6481	18⅛	16⅞	18	+⅞
Xoma Corp		5	2834	10	d9	9½	+¼
Yellow Fr	0.94	19	325	23¼	23	23⅛	+⅜
York Rsch		7	2523	7⅛	6⅞	7⅛	+⅛
ZionsUtah	1.44	11	208	58½	57¾	58⅛	+1⅛

FINANCIAL TIMES Tuesday October 13 1992

AMERICA

Dow stages recovery after Friday's sell-off

Wall Street

US MARKETS yesterday regained some of the ground lost during last week's big sell-off, but trading was light because of the Columbus Day holiday, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 37.83 at 3,174.41, almost recouping Friday's 39.45-point loss. The more broadly based Standard & Poor's 500 also ended firmer, up 4.77 at 407.43, while the Amex composite finished up 1.13 at 365.98 and the Nasdaq composite 3.32 higher at 573.84. Turnover on the NYSE was 126m shares.

With banks and the bond markets closed for the day, trading was subdued. The rise in share prices was seen primarily as a reaction to the 120-point drop in the Dow over the preceding seven trading days.

Although the underlying mood of the market remained gloomy, both about the economy and third quarter corporate earnings, some investors believed the recent losses created attractive buying opportunities.

Investors were also cautious about trading ahead of this week's economic statistics. Retail sales and producer prices for September are due tomorrow, followed by consumer prices (Thursday) and industrial production (Friday), both also for September.

There was little reaction from the markets to Sunday's presidential television debate. Political analysts judged that the none of the three contenders established a clear advantage during it, and consequently Governor Bill Clinton's lead in the polls would probably remain unchallenged.

Among individual stocks, the motor sector was in strong form, buoyed by some positive comments from Mr Scott Merlis, the industry analyst at Morgan Stanley, about the outlook for the big three manufacturers in 1993. Ford climbed $1½ to $36¼, General Motors added $1⅝ at $30¾, and Chrysler rose $¾ to $22⅞, all in heavy trading.

Advanced Micro rose $⅝ to $12½ *after analysts at two* broking houses, Merrill Lynch and Gruntal & Co, upgraded their ratings on the computer company's stock.

IBM climbed $¼ to $78⅝ as some investors bought in anticipation of a better-than-expected earnings report on Thursday.

Maxus Energy rose $¼ to $7¼ after Wall Street investment bank Kidder, Peabody agreed in an out-of-court settlement to pay the Texas-based energy group *$165m to settle* an insider trading lawsuit stemming from a 1983 takeover. General Electric, Kidder's parent company, was unaffected by the news, and was up $¾ at $75½.

Avalon jumped $1 to $3⅝ and Zemex rose $¼ to $5½ after Dundee Bancorp proposed to acquire the former for $3.75 a share and the latter, in which Avlon holds almost 50 per cent, *for $5.50 a share.*

● Toronto was closed yesterday for Thanksgiving.

SOUTH AFRICA

CONCERNS about the sharp fall in New York on Friday sent Johannesburg lower and the overall index fell 54 or 1.8 per cent to 3,024.

Gold shares were weak following the decline in the bullion price and the index lost 36 or 4.2 per cent to 817, while the industrial index shed 28 to 4,038.

De Beers and Anglos, which together have a combined weighting of about 17 per cent on the overall index, led the declines.

De Beers lost R1.90 to R48.35 and Anglos closed R3.75 or 4.6 per cent down at R77.50.

EUROPE

Firm NY start lifts late-closing bourses

AN intraday recovery in Germany and a strong opening in New York helped the FT-SE Eurotrack 100 index recover from early lows, *writes Our Markets Staff*. Madrid was closed for a holiday.

FRANKFURT broke below its *1992 closing low of 1,420.30,* recorded last Tuesday, the DAX index hitting a day's low of 1,415.94. But the index recovered to close 7.12 down at 1,432.54.

Mr Matthias Welticke of Merck Finck in Düsseldorf said that there were three reasons for the intraday recovery: first, closing of positions ahead of the expiry of October call and put options next Friday; *secondly, the belief of many* Germans, especially short-term operators, that the market will bottom out; and, finally, the apparent resistance of the DAX to any permanent break below the 1,420 level.

Nevertheless, falls were the day's main individual talking points. Bayer, the premium stock among the big three chemicals, dropped DM5.10 to DM242.40, some dealers blaming a tenuous link with a hazardous materials case, others the industry association's recently bearish assessment of general profitability and prospects.

Siemens, which added redundancies in its semi-conductor operations to earlier problems *in its Siemens-Nixdorf computer* business, extended its period of relative weakness with a fall of DM6.30 to DM539.20.

MILAN ended lower, weighed down by selling linked to the exercising of call options yesterday, and as investors sold out, disappointed that a cut in interest rates had not been announced at the weekend. The Comit index fell 0.72 to 396.85 in turnover estimated at L150bn after Friday's L238bn. Dealers expected trading to be technical ahead of the close of the account tomorrow.

The insurer, Ras, was one of the day's biggest casualties, falling L2,000 or 11.8 per cent to L14,900 after Friday's news *that its one-for-four rights* issue would start tomorrow.

Fiat rose L107 to L4,181, supported by reports that Alcatel Alsthom of France was interested in buying Fiat's 25.4 per cent in Alcatel Italia.

PARIS fell at the opening following Friday's drop on Wall Street and then rebounded in the afternoon as the US market opened firmer. But there was little else for Paris brokers to get their teeth into, and turnover was a mere FFr1.06bn. The CAC-40 index ended 2.29 lower at 1,655.05.

The main moves in the day came in the second-liners. Among leading stocks, Michelin fell FFr4.10 to FFr174.60, Société Générale fell FFr7 to FFr520 and Paribas added FFr10.90 to FFr291.

AMSTERDAM saw dull trading as the CBS Tendency index lost 0.3 to 107.5. Pirelli Tyre Holding gained Fl 1.20 or 9.4 per cent to Fl 13.90 after Friday's plunge on news of its plan to double its share capital. KNP was down 30 cents at Fl 39.50, ahead of news after the close that it expects a sharp fall in 1992 earnings.

BRUSSELS was weaker in quiet trade although Petrofina *bucked the trend with a gain of* 1.2 per cent. The Bel-20 index lost 2.33 to 1,092.54 in turnover of BFr557m.

Petrofina recovered BFr100 to BFr8,050 after Friday's 5 per cent decline on news that Norway might close an important North Sea installation in which the group has a 30 per cent stake.

ZURICH was little changed, the SMI index firming 3.1 to *1,881.5. Among banks UBS* bearers gained SFr1 to SFr788.

STOCKHOLM eased in thin trading, the Affärsvärlden General index falling 2.7 to 665.3 in turnover of SKr213m after SKr354m. B shares in Volvo lost SKr1 to SKr213. Reports that the car company would cut production of 1993 models by 12,000 units and was considering the closure of two of its Swedish assembly plants came *after the close.*

VIENNA's ATX index recovered from an intraday low of 766.55 to end down 5.64 at 770.52. ISTANBUL's 75-share index gained 81.42 to 4,021.92.

FT-SE Eurotrack Indices — THE EUROPEAN SERIES

October 12 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close	High/day	Low/day
FT-SE Eurotrack 100	974.92	976.04	976.60	977.59	978.83	980.63	984.57	984.55	985.00	974.76
FT-SE Eurotrack 200	1062.17	1063.95	1060.55	1062.66	1065.29	1067.87	1071.30	1069.79	1072.65	1060.55

	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5
FT-SE Eurotrack 100	987.08	936.33	971.05	954.29	937.42
FT-SE Eurotrack 200	1070.52	1060.95	1052.71	1035.93	1010.09

Base value 1000 (26/10/90)

ASIA PACIFIC

Nikkei, Hang Seng rise against the trend

Tokyo

SHARE prices firmed in quiet trading on index-linked buying *towards the end of the session, writes Emiko Terazono in Tokyo.*

The Nikkei index rose 242.23 to 17,302.01 after a low of 17,086.66 and a high of 17,307.02. Investment trust funds and public pension funds moved in to support share prices late in the afternoon, and foreigners were seen buying in small lots.

Volume totalled 150m shares, the lowest since August 17, falling sharply from Friday's 483m. Settlements for October option prices had boosted activity at the end of last week.

Advances led declines by 520 to 370 with 186 unchanged. The Topix index of all first-section stocks gained 10.68 to 1,309.33 and, in London trading, the ISE/Nikkei 50 index fell 1.11 to 1049.5.

While public fund managers have provided a floor for share prices by indicating buying interest below the 17,000 level, analysts said that this in turn seemed to be causing the stagnation in the market.

"The price-earnings ratio is currently too high and buyers are waiting for an adjustment," said Mr Yuichi Kohashi, strategist at Daiwa Securities.

The dollar firmed against the yen, lifting some high-technology exporters. NEC rose Y30 to Y715 and Sony advanced Y80 to Y4,030.

Ito-Yokado, the supermarket chain, rose Y110 to Y4,040 on reports that the company expected a 4 per cent rise in pre-tax profits for the current fiscal year, despite a fall in consumer demand.

Hanshin Department Store fell Y78 to Y527 on profit-taking. The issue had surged previously on the strength of Hanshin Tigers, the Osaka-based baseball team. However, failure to win the league series prompted heavy selling. Other Hanshin group companies were also lower, with Hanshin Electric Railway down Y34 to Y431.

Environmentally-related issues were actively traded by speculators. Chugoku Marine Paints, the leading paint maker, finally fell Y3 to Y685 after rising on hopes of higher orders of its pollution-free ship bottom paints.

In Osaka, the OSE average rose 59.25 to 18,953.14 in vol*ume of 6m shares. Investors* dabbled in low-priced theme stocks, but overall activity remained low. Nintendo, the video game maker, rose Y60 to Y9,850 on the rise in the dollar against the yen.

Roundup

SPECIAL circumstances took Hong Kong up against the trend in the region yesterday.

HONG KONG had an exuberant opening in the wake of the Sino-US trade agreement which concluded on better terms than had been rumoured on Friday. The Hang Seng index ended 128.86, or 2.3 per cent higher at 5,725.57, after hitting 5,790.70 at the opening.

Turnover was a relatively heavy, at HK$3.58bn. Property developers were the most active stocks on the day, with Sun Hung Kai and Cheung Kong gaining HK$1.25 to HK$33.50 and HK$0.60 to HK$21.20 respectively, while HSBC led the banks up with a rise of HK$1.00 to HK$13.40.

NEW ZEALAND fell 1.1 per cent to a new 1992 low in early trading, the NZSE-40 index dipping to 1,366.88 before a recovery to 1,375.56 at the close. The five major companies that make up around 70 per cent of *the exchange's capitalisation* have run foul of US and European pessimism with forestry combine Fletcher Challenge, which has lost half its market value in the past three months.

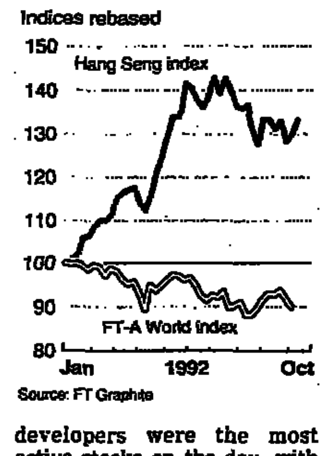
BANGKOK saw a technical correction, after recent rises and on investors' concern about volatility in New York. The SET index ended 14.63, or 1.65 per cent lower at 871.71, its largest daily loss for four months, in turnover of Bt9.40bn.

AUSTRALIA was subdued by overseas uncertainties, and even the A$1.23bn bid for the biscuit manufacturer, Arnotts, by Campbell Soup of the US failed to generate enthusiasm. The All Ordinaries index closed 3.3 lower at 1,463.0 and Arnotts, after suspension, was unchanged at A$8.00 against Campbell's A$8.80-a-share offer.

SEOUL wobbled on the departure from the ruling *Democratic Liberal Party* of its co-chairman, Park Tae-joon. The composite index shed 10.87 to 514.90, with turnover of Won152.09bn, against Won137.34bn for the half-day on Saturday.

MANILA's blue chips weakened as second liners rallied and the composite index fell 16.25 to 1,391.88. Combined volume surged from 5.79bn shares to 7.81bn, but turnover eased *from 342m to 331.6m pesos.*

BOMBAY fell sharply after a World Bank report warned India about a possible balance of payments crisis; the market was also hit by a rise in inflation to 9.2 per cent for the week ended September 26, from 7.4 per cent two weeks earlier. The BSE index fell 109.05, or 3.3 per cent to 3.166.52.



Source: FT Graphite

Italy gains 10 per cent on moves in political arena

By John Pitt

EUROPEAN equity markets remained volatile last week, amid sporadic hopes that Germany would ease monetary policy. This helped both Italy and Spain register substantial gains in the FT-Actuaries World Indices while senior European bourses recorded falls. The FT- Actuaries World index was 1 per cent lower on the week.

Italy rose 10 per cent in local currency terms as investors were encouraged by moves in the political arena and proposals to suspend capital gains tax. With no one wanting the collapse of yet another coalition government, there were hopes that the budget package would be passed by parliament in the next few weeks, in spite of opposition from trade unions. At the weekend four subsidiary laws to the budget, dealing with local government finance, health and pensions, were passed, clearing the way for approval of the main legislation.

Ms Marie Christine Keith, Italian analyst at County NatWest, says short-covering also boosted the market's performance last week, helping to push Friday's turnover to a high L238bn. She noted that the devaluation effect lifted the share prices of companies with strong export markets, such as Benetton, up 14 per cent on the week, while Generali's 13 per cent gain also contributed largely to the advance in the Comit index. Another insurer in demand was Ras, ahead of Friday's news that its planned share capital increase was to commence this week.

Spain saw a negative start to the week, a 3.6 per cent decline on Monday, one of the year's steepest one-day falls, followed by strong gains during the sessions to follow. By mid-week domestic and foreign investors returned to the market, as the threat of a further devaluation in the peseta waned and the Spanish government said it had no plans to raise interest *rates in the short term. In con*trast to Monday, the 3.2 per cent rise in the general index on Thursday was one of the best sessions of the year.

However, Mr Stephen Hughes, Spanish analyst at Nikko Europe, remains cautious about the market. "Foreign investors are rightly still wary of the forex controls ... and a consensus remains that the peseta will have to devalue further in the short term," he said. "For a sustainable rally to be established, the currency risk for foreign investors must be relieved."

Nordic countries remained depressed last week with Denmark limping along under the weight of a shattered financial sector. Last week two more banks were downgraded by Moody's, the US credit rating agency, and another placed on the watch list. The market continues to lack direction, analysts say, while uncertainty over the Maastricht process lurks in the background.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1992	% change sterling † Start of 1992	% change in US $ † Start of 1992
Austria	-2.42	+2.32	-23.14	-11.07	+0.99	-8.73
Belgium	-0.92	+1.13	-4.67	-5.29	+7.01	-3.28
Denmark	-4.52	-5.06	-31.77	-29.82	-19.84	-27.55
Finland	-0.96	+9.38	-23.82	-17.55	-19.59	-27.33
France	-1.55	-7.14	-8.45	-5.36	+7.78	-2.59
Germany	-2.24	-4.81	-11.80	-11.01	+0.55	-9.13
Ireland	-2.82	-7.07	-22.60	-20.52	-10.72	-19.31
Italy	+10.77	+11.01	-20.56	-18.59	-20.42	-28.07
Netherlands	-1.10	+0.47	+1.12	+2.02	+15.56	+4.43
Norway	-3.57	+1.56	-34.97	-22.47	-15.20	-23.36
Spain	+4.38	-7.30	-26.56	-21.37	-20.67	-28.30
Sweden	-0.38	-4.08	-23.47	-15.10	-6.74	-15.71
Switzerland	+0.23	+2.18	+9.48	+10.59	+26.19	+14.04
UK	-0.37	+7.76	-2.89	+1.53	+1.53	-8.24
EUROPE	-0.36	+1.61	-7.57	-4.33	+1.84	-7.96
Australia	-1.32	-2.80	-10.09	-13.64	-9.70	-18.39
Hong Kong	+0.76	+1.90	+37.40	+30.96	+45.78	+31.76
Japan	-0.34	-5.45	-29.56	-23.67	-13.47	-21.79
Malaysia	+0.56	+4.16	+18.15	+6.44	+27.78	+15.48
New Zealand	-3.44	-6.17	-10.76	-16.07	-6.93	-15.88
Singapore	-0.89	-3.05	-5.75	-16.58	-6.87	-15.83
Canada	-0.64	-6.66	-6.01	-9.79	-7.69	-16.58
USA	-1.71	-3.77	+7.48	-3.10	+7.21	-3.10
Mexico	+3.54	+9.62	+7.32	-3.11	+4.74	-5.33
South Africa	-3.62	+0.10	-11.24	-13.36	-29.51	-36.29
WORLD INDEX	-0.92	-2.70	-9.08	-9.80	-1.04	-10.56

† Based on October 9th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY OCTOBER 12 1992 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY OCTOBER 9 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992 High	1992 Low	Year ago (approx)
Australia (68)	123.18	+0.1	107.11	94.25	94.27	113.71	-0.3	4.27	123.11	107.94	94.90	95.08	114.02	153.68	122.45	151.68
Austria (19)	151.53	-0.3	131.77	115.95	115.97	116.01	-0.6	2.50	151.99	133.26	117.16	117.38	116.69	186.70	139.27	164.14
Belgium (42)	140.52	+0.7	122.19	107.52	107.54	105.17	-0.2	5.86	139.61	122.40	107.61	107.82	105.35	152.27	135.87	128.53
Canada (114)	114.30	+0.5	99.39	87.45	87.47	102.96	+0.0	3.43	113.70	99.69	87.65	87.81	102.96	142.12	113.70	135.59
Denmark (33)	194.50	+0.5	169.13	148.83	148.85	150.85	+0.1	1.89	193.54	169.69	149.20	149.48	150.64	273.94	193.54	248.74
Finland (15)	56.20	-0.9	48.87	43.01	43.01	55.26	-1.0	2.55	56.70	49.71	43.71	43.79	55.83	89.80	52.84	84.65
France (101)	147.14	+0.4	127.94	112.58	112.59	115.52	-0.2	3.91	146.54	128.48	112.96	113.17	115.74	168.75	146.54	138.40
Germany (64)	107.02	+0.4	93.06	81.90	81.90	81.90	-0.5	2.79	106.62	93.48	82.20	82.34	82.34	129.69	106.62	105.17
Hong Kong (53)	238.16	+2.5	207.09	182.23	182.27	236.41	+2.5	3.76	232.37	203.73	179.13	179.47	230.67	259.55	176.36	166.51
Ireland (16)	136.59	+0.9	118.77	104.52	104.53	108.13	+0.5	5.02	135.41	118.72	104.38	104.58	107.55	173.71	135.41	155.45
Italy (77)	53.77	-0.8	46.76	41.14	41.15	52.05	-1.1	3.99	54.23	47.54	41.80	41.88	52.65	80.86	47.47	69.11
Japan (472)	108.02	+1.7	93.93	82.65	82.68	82.65	+0.9	1.03	106.23	93.13	81.89	82.05	81.89	140.95	87.27	140.28
Malaysia (69)	249.34	+0.8	216.82	190.78	190.81	240.46	+0.6	2.72	247.34	216.86	190.66	191.02	238.91	250.65	212.49	197.22
Mexico (18)	1307.79	-0.7	1137.19	1000.69	1000.84	4452.61	-0.7	1.35	1316.98	1154.67	1015.22	1017.12	4481.75	1789.77	1185.84	1282.74
Netherland (25)	160.80	+0.9	139.83	123.04	123.06	121.68	+0.2	4.66	159.44	139.79	122.91	123.14	121.49	169.70	147.88	138.26
New Zealand (14)	39.34	-0.4	34.21	30.10	30.11	38.54	-0.5	5.88	39.52	34.65	30.47	30.52	38.75	48.52	39.34	45.48
Norway (22)	136.04	-0.7	118.29	104.09	104.11	110.97	-1.1	2.18	137.02	120.13	105.62	105.82	112.23	192.95	136.04	185.80
Singapore (38)	184.15	-0.4	160.13	140.91	140.93	136.54	-0.2	2.41	184.91	162.12	142.54	142.80	136.81	229.63	180.71	191.42
South Africa (60)	153.00	-3.5	133.04	117.07	117.08	146.51	-2.2	3.48	158.57	139.03	122.23	122.46	149.88	263.60	144.29	247.86
Spain (46)	112.35	+0.2	97.70	85.97	85.98	90.09	+0.0	6.61	112.14	98.32	86.45	86.61	90.09	161.72	110.05	149.76
Sweden (31)	153.18	+0.3	133.20	117.21	117.23	125.52	-0.5	3.13	152.68	133.86	117.70	117.92	126.18	200.28	149.69	180.13
Switzerland (60)	114.93	+0.4	99.94	87.94	87.96	93.27	+0.0	2.30	114.46	100.36	88.24	88.41	93.24	122.37	95.99	92.27
United Kingdom (228)	172.50	+1.4	150.00	131.98	132.00	150.00	+0.6	4.89	170.06	149.10	131.08	131.33	149.10	200.07	164.88	177.00
USA (522)	166.45	+1.1	144.74	127.37	127.39	166.45	+1.1	3.05	164.62	144.33	126.90	127.14	164.62	173.39	160.92	156.98
Europe (781)	137.03	+0.8	119.15	104.85	104.87	112.48	+0.7	4.18	135.93	119.18	104.79	104.99	112.37	156.88	135.66	137.90
Nordic (101)	142.66	+0.3	124.05	109.16	109.18	110.67	-0.4	2.67	142.26	124.73	109.67	109.87	111.08	188.52	141.24	178.60
Pacific Basin (714)	112.44	+1.6	97.77	86.04	86.05	87.89	+0.9	1.38	110.66	97.02	85.30	85.46	87.07	141.97	93.70	140.65
Euro - Pacific (1495)	122.39	+1.2	106.42	93.64	93.66	97.91	+0.6	2.65	120.88	105.99	93.18	93.35	97.37	145.21	113.80	139.90
North America (636)	163.21	+1.1	141.92	124.90	124.92	162.13	+1.1	3.07	161.45	141.55	124.47	124.71	160.42	170.49	158.70	155.58
Europe Ex. UK (553)	115.80	+0.3	100.70	88.63	88.64	91.97	-0.3	3.67	115.41	101.18	88.98	89.15	92.22	132.98	115.41	114.86
Pacific Ex. Japan (242)	155.79	+1.1	135.47	119.23	119.24	140.72	+1.0	3.78	154.13	135.13	118.83	119.05	139.39	175.31	149.00	144.21
World Ex. US (1687)	123.12	+1.1	107.06	94.22	94.23	99.70	+0.5	2.67	121.75	106.74	93.86	94.03	99.22	146.91	116.18	141.59
World Ex. UK (1981)	133.41	+1.1	116.01	102.09	102.11	117.24	+0.8	2.58	131.98	115.71	101.74	101.94	116.36	150.58	127.21	142.74
World Ex. So. Af. (2149)	136.79	+1.2	118.95	104.68	104.69	119.91	+0.8	2.82	135.21	118.55	104.24	104.44	119.00	153.05	130.04	145.06
World Ex. Japan (1737)	153.33	+0.9	133.32	117.33	117.36	141.85	+0.7	3.49	151.93	133.20	117.13	117.35	140.91	165.40	151.93	150.01
The World Index (2209)	136.80	+1.1	118.95	104.68	104.70	120.19	+0.7	2.83	135.28	118.61	104.28	104.48	119.31	153.70	130.66	145.73

Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited. 1987
Markets closed 12/10/92: Canada and Spain.

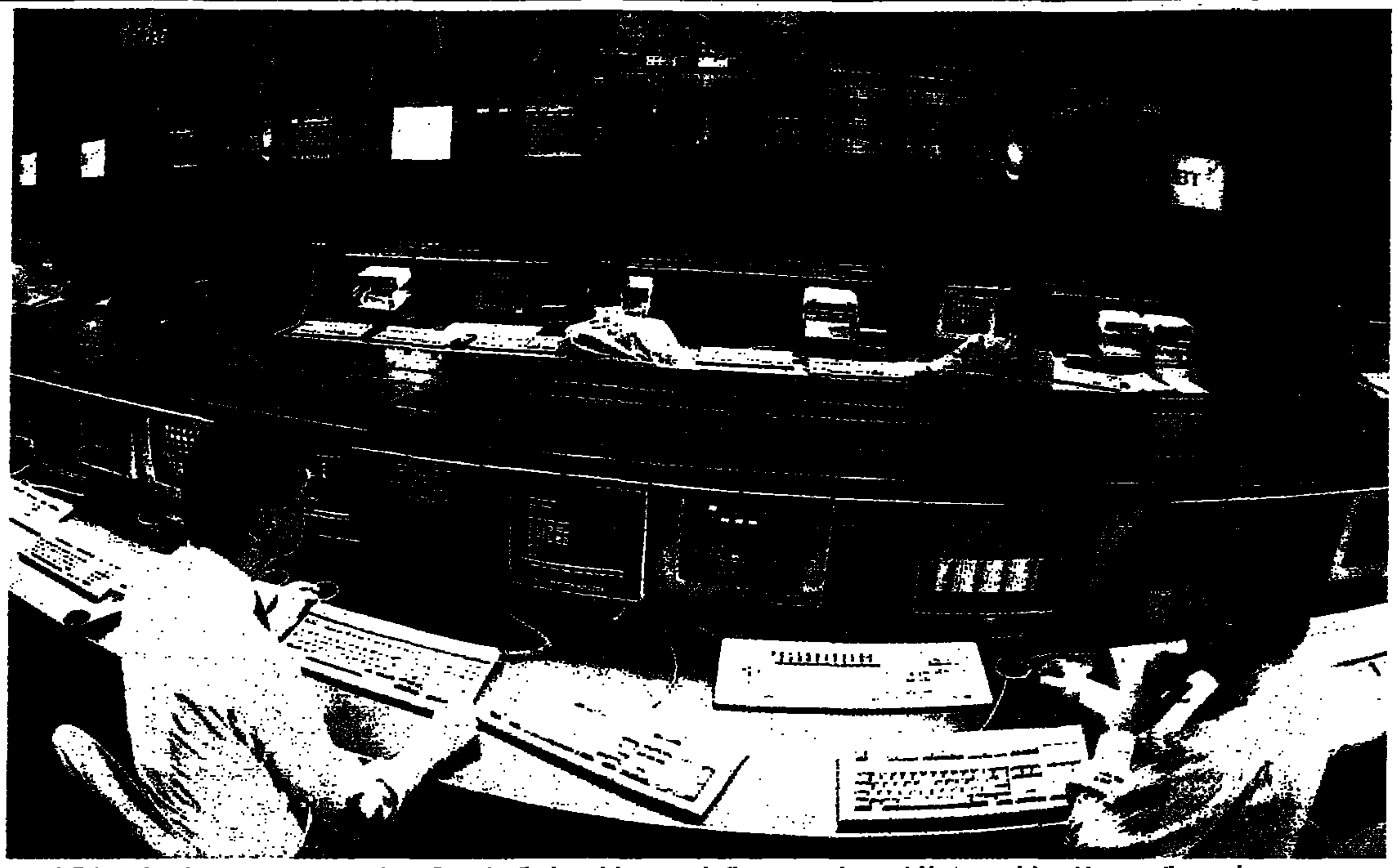
COMPUTERS AND COMMUNICATIONS

SECTION III

Tuesday October 13 1992

As telecommunications and computing converge, the drive towards seamless networked systems is speeding up and the large vendors are at last backing the introduction of an industry-wide set of rules. **Alan Cane** reports

Paths to open systems clear



British Telecom's network management centre at Oswestry: the large telecommunications companies are taking a new interest in computing services

Editorial production Sarah Murray

THE SLOW but inevitable convergence of computing and telecommunications is providing the motive force for an implosion of new information processing practices and technologies.

A lexicon of neologisms has emerged to label these concepts: enterprise-wide computing, co-operative computing, client-server architectures, plug-and-play environments, rightsizing.

What they all amount to is new ways of describing a concept more than a quarter of a century old: distributed data processing or ddp, the idea that computer power can be spread throughout an organisation if it can be contained in small enough packets. For many companies it means substituting a large number of small computers connected in networks for a small number of larger machines.

International Business Machines (IBM), the world's largest computer manufacturer and staunchest defender of data processing centred on mainframe computers, is joining in. Last month among a raft of new communications products it announced adaptors (special circuit boards) that allow portable computers unprecedented access to corporate information systems as well as announcing plans that could see CICS, its flagship transaction processing software, dominating the open – or vendor independent – systems environment.

The range of issues now encompassed by distributed data processing is bewilderingly broad. At one end of the spectrum is the dilemma of how to manage very large data networks, now the biggest concern among information technology managers. At the other, the question of which operating system should prevail in the open data processing environment of the late 1990s.

It is also providing the dynamo for the growth of a large number of entrepreneurial companies which were quick to recognise the possibilities of computer communications. These include Novell, the leader in software for personal computer networking and 3Com and Cisco which specialise in "internetworking", providing the hardware and software which allows local and wide area networks to talk to one another.

These developments are taking place against a background of the worst instability the computer industry has known. Prices are tumbling as improved technology cuts the cost of components. Distribution channels are being undermined as gross profit margins narrow. The global recession is forcing customers to put a cap on capital investment.

The large telecommunications companies, meanwhile, are taking a new interest in computing services, the fastest growing area of the computer industry.

BT has emerged as one of the largest systems integration companies in the UK. France Telecom is negotiating to take a stake in Sema Group, the large Anglo-French services company. Mercury Communications, BT's principal competition in the UK is moving into managed data communications, securing, among others, a £15m, five-year contract with TSB Retail Banking and Insurance.

The purpose behind these activities, whether overt or not, is the creation of "intelligent networks" which will give customers greater control of their telecommunications and cost savings from improved allocation of network resources.

For the telecommunications companies intelligent networks will provide an integrated, managed, services environment. Competition is already developing between the big companies to provide managed voice and data networking services for international companies.

The growth of computer communication is underpinned by a number of trends, including the evolution of open systems.

Standards are at the heart of open systems. One of the most abused of industry terms, open systems simply imply computers that can easily be connected into communications networks and with the capacity to run software from any supplier obeying the open systems rules.

Last month Mr Jim Manzi, chief executive of Lotus Development Corporation told the Etre conference of top computer industry executives that open systems were the only way customers could expect an uninterrupted return on their investment in computerisation.

Many corporations share a common dilemma. Their operations, whether national or international, have grown in response to a business strategy in which information technology played little part.

The result is all too often an electronic Tower of Babel of incompatible computers and software which denies senior management the chance to create enterprise-wide communications and has meant corporations have derived fewer benefits than expected from considerable investments in computers and communications.

This dissatisfaction is driving the open systems movement. Large vendors, while paying lip service to open systems, have been less than enthusiastic about implementing them because of heavy investment in their own designs.

Digital Equipment and IBM were networking pioneers – IBM through its mainframe networking protocol Systems Network Architecture and DEC through its VAX compatible computer line – but tardy in implementing open systems.

Both are now changing rapidly. Earlier this month IBM announced early support for the latest version of an industry-wide set of rules that guarantee a product conforms to open systems standards.

The rules are set by X/Open, a worldwide, independent open systems organisation which is dedicated to developing a multivendor Common Applications Environment, based on both formal industry standards and standards which have become accepted *de facto*.

X/Open's new set of specifications, XPG4, comprises 22 separate components covering operating systems and languages, data management, user interfaces, general interworking, mainframe interworking, PC interworking and media.

Products which meet the XPG4 specifications will pass the open systems interoperability test and can safely be connected together in corporate-wide networks.

Advances in open systems are still confused by the arguments over operating systems. There are still those who see open systems as synonymous with Unix, a multi-tasking, multi-user operating system developed by AT&T and now championed by Unix International, a non-profit organisation responsible for directing the evolution of Unix System V, an industry standard.

Competition for Unix will be seen from Microsoft with Windows NT, IBM with OS/2 and Taligent, an IBM and Apple joint venture, with a operating system codenamed "Pink".

Just as portable telephones have revolutionised conventional communications, so tiny portable "digital communicators" capable of handling voice, data and image, are expected to revolutionise computer communications. Apple, AT&T in co-operation with Matsushita, Marubeni and EO, have already announced product intentions. IBM is not expected to be far behind.

Client-server technology permits more flexible applications

User and service divide

THE client-server model separates information technology systems into users (clients) and services (servers) and *meets a rising demand for* cheaper, more flexible and more responsive applications.

"Client-server technology will affect large segments of suppliers and users and client-server products will account for some 23 per cent of the software products market by 1996," says market researcher Ovum in its 1991 report "Client-Server Computing: Commercial Strategies".

The client-server model provides an economical way to distribute computer power, while maintaining the controls associated with centralised computing. It takes advantage of the lower costs of open, component-based systems and the trend towards industry-wide standards in software and communications.

Client-server systems use standard software and communications networks to distribute functions across multiple computers with different operating software. Powerful personal workstations, with advanced graphical user interfaces and local processing power (the clients), sit at the front end.

Special-purpose "servers" – providing services such as shared printing, communications links and database storage – are available, through the network, to workstations.

So far the client-server approach has been used mainly for database applications. Using an IBM-designed standard called SQL, client workstations are able to send complex requests for data to remote server computers.

But the past year has seen moves to broaden the appeal of the client-server approach and use it for more traditional data processing applications – particularly those which involve transaction processing.

Database suppliers such as Sybase, Oracle, Informix and Ingres have been in forefront and have placed increasing emphasis on the transaction processing features of their database products.

At the end of September IBM announced a version of its popular CICS transaction processing software which uses the client-server approach. It is based on AIX, its version of the Unix operating system, and runs on IBM's RS/6000 workstation computer.

CICS is, perhaps, IBM most successful software product with over 33,000 sites worldwide. It is the market leader by a wide margin and IBM's decision to move it to an open environment and re-engineer it to use the client-server model is important.

IBM's announcement came in response to a trend towards the use of open systems as a base for transaction processing applications. The use of the client-server model provides an appropriate infrastructure for complexities associated with transaction processing in modern computing environments, which can be based on a variety of hardware and operating systems from different manufacturers.

Traditionally, transaction processing applications have been based on single-supplier, proprietary computer systems such as IBM's System 370 mainframe.

Until recently, proprietary systems were the only ones which could provide the infrastructure to cover security of access, data integrity and disaster recovery

Until recently, proprietary systems were the only systems which could provide the infrastructure to cover security of access, data integrity and disaster recovery.

IBM's decision to move CICS into an open environment – backed up by an unprecedented policy to licence CICS to other manufacturers – comes against a background of important activity in the transaction processing area.

Computer suppliers see transaction processing as an important factor in promoting the cause of open systems. Many companies rely on transaction processing as the base for important online operational tasks such as accounting and customer service support.

If open systems are to continue expanding, they must be able to cope with complex transaction processing and, in the past two years, the standards infrastructure has grown to include the mechanisms to make this possible.

The IBM-backed Open Software Foundation (OSF), for example, has published a standard for distributed computing which covers this. It includes a technique called the Remote Procedure Call (RPC) which can pass the complex messages through a network, regardless of the operating environment or computer hardware. IBM's new version of CICS uses the RPC to allow it to work across different systems.

But IBM is not alone in seeing the advantages of offering open systems transaction processing. Hewlett Packard announced that it would licence IBM's open CICS software, hard on the heels of the IBM announcement and other key manufacturers are expected to follow suit. Both Stratus – which already has strong links with IBM – and Sun Microsystems have been suggested as possible future CICS licensees.

Meanwhile Unix International, a rival faction in the open systems market, has put its weight behind an alternative transaction processing system, Tuxedo. This again uses the client-server model of computing to provide support for transaction processing in a mixed environment.

One of Tuxedo's main sponsors is the Japanese-owned, UK-based manufacturer ICL, which uses Tuxedo on its Unix-based computers. Mr Nicholas Connor, marketing manager for distributed information systems at ICL, says the future of open client-server systems is tied closely to transaction processing.

"Client-server systems will grow more complicated and will need to be transaction-based," he says.

"A simple business requirement, like, say, adding a new employee, generates several transactions. One to update the payroll file, one to up date employee file, one to update the pension file and so on. The business requirement is for a single transaction – but current systems demand many different entries. Tuxedo provides the mechanisms with which to enter it just once and then distribute it automatically through the system," he says.

Mr Connor suggests that this sort feature will give companies the opportunity to improve customer service too.

"The introduction of a new telephone subscriber or a new client for a bank poses the same problem. Automatic transaction processing and distribution would enable them to improve their service to customers. In the current economic climate this is obviously very important," he says.

Although Tuxedo and IBM's CICS look set to compete with each other in the market for open transaction processing systems, they could end up co-operating. Tuxedo is able to work with CICS systems already and IBM has announced that a version of Tuxedo will be available for its mainframe computers – running with its AIX/Unix – next year.

Either way, transaction processing in an open client-server environment looks set to become a big issue for suppliers and users of computers across the industry.

Philip Manchester

Nicholas Connor: the future of open client-server systems is tied closely to transaction processing

SECURITY SYSTEMS

Fending off the fraudsters

OPEN systems have been portrayed by almost all in the computer industry as "a good thing" – but they have also made life more difficult for those who design security systems for computer systems.

In a true open system – where systems from different manufacturers can connect with one another – the security of the whole system is no weaker than the weakest link in the chain. The weakest of those links has traditionally been the personal computer.

The PC was originally designed as a personal productivity tool – only one person was expected to use it and few considered the possibility that crucial corporate data would ever appear on its screens. The PC was something you would use to do word-processing, a little spreadsheet work and perhaps keep electronic versions of your address book.

Today's PC is far more powerful and is used for all manner of applications – many of which involve "networking" these PCs together with one another as well as with minicomputer and mainframe systems. For this reason, PC industry local area network (LAN) market leader Novell has had to serious come to grips with implementing credible data security technology.

According to Novell UK spokesman Mr Dominic Storey, many companies do not think about LAN security. He said a recent survey suggested few companies conducted risk analysis, developed security guidelines, set up security configurations, co-ordinated security training or periodically reviewed security compliance for the networked PCs.

"LANs are basically distributed multi-user computer systems and, as such, have similar security requirements," he says. "The computer needs to be protected from physical damage, the software programs from virus attack and the data from accidental or intentional damage."

He says that the advent of viruses make the PC much more prone to breaches of security than minicomputer systems or mainframes – and therefore sensible precautions must be taken.

"Virus detection can be performed by specialised programs which look for sequences within program code," explains Mr Storey. "No virus detection program is foolproof, as new viruses are created on a distressingly regular basis. The best form of cure is prevention – and to do this, users must be discouraged from uploading suspect software or else have their rights restricted to prevent virus contagion."

One of the other keys to building a secure PC network lies in the features contained in the network operating system – such as Novell's NetWare. It starts with the "log-in" password, which must be entered every time a user starts working on the network.

Passwords under NetWare are stored in special files on the file server called "bindery" files. Within these files, all user passwords are stored in encrypted form using a one-way or "trap-door" encryption function. When a user logs in, the password is never seen. Instead, a special code (called a key) is passed to the PC. The PC uses the password to encrypt the key, and the encrypted key is passed back to the server.

Passwords under NetWare must also be of a minimum length (thus reducing the statistical chances of a hacker guessing them) and can be "force-changed" by the network administrator, must be unique (so that no two users have the same password).

Most network system also allow network administrators to specify which system features each user will have access to. These can limit the times of the day the system can be used, the amount of time, the amount of disk space they use and the way they use dial-in "modems".

Mr Storey says that PC networks also need to offer an "audit trail" of their use. He admits that NetWare is still not ideal in this respect. "No security system is perfect; it is essential to log information, so that a security compromise can be traced," he says.

"System audit information is available in a limited form for NetWare and will be extended to full file system audit in future releases. At present various logs are stored – the error log logs all hardware and system errors, and account information (bindery logs) can be generated using a supervisor utility."

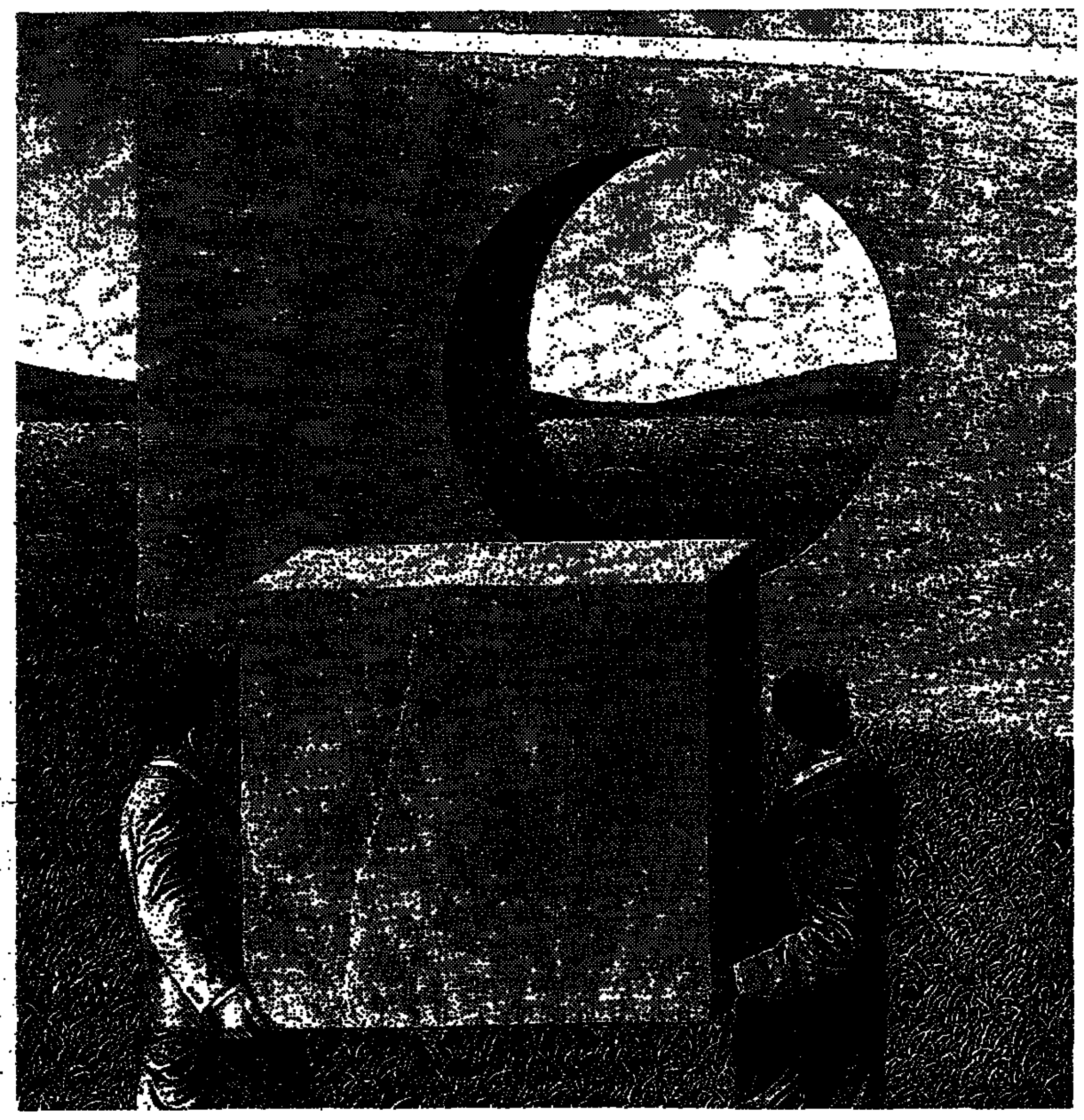
In the end, however, security on PC networks is all about using common sense. And that means instituting company-wide procedures for PCs in the same way as for minicomputer and mainframe systems.

"To maintain good standards of security, companies should employ tried and tested authentication procedures," says Mr Storey. "Use of initial passwords during account generation ensures that new accounts do not represent a security hole. Use of existing security features make a system which is flexible to the user, yet secure.

"If implementing a secure system with high expectations of data integrity, lock the file server away. A system will never be truly secure while the file server is easily accessible.

Above all, train users to think securely. Make sure, for example, that they use hard to guess passwords and do not place the password under the desk. This will reduce the possibility of user ignorance leading to unexpected security compromises."

Geof Wheelwright



هكذا من الأصل

COMPUTERS AND COMMUNICATIONS 3

Emma Woollacott finds local area networks are now playing host to electronic message systems

E-mail moves away from mainframes

ELECTRONIC mail is changing fast. A few years ago, it was largely the preserve of mainframe-based systems, and notoriously difficult to install and manage. But nowadays an increasing number of large corporates are downsizing to local area networks and are phasing out host-based e-mail systems in favour of LAN systems.

Mr Mark Hassall, Microsoft's product marketing manager for Mail 3.0, says: "LAN-based e-mail can give all the things people were looking for in mainframe systems.

But users of things like Profs and All-in-One are paying exorbitant maintenance fees. There's a 10-to-one ratio between those costs and the costs of a LAN system".

BP Oil has recently switched from a mainframe-based environment towards Unix and PCs.

Mr James Cunningham, project leader at BP, says: "It was particularly attractive in the early days to our European associates, where it would be less easy to justify the cost of huge pipes to tap into an IBM mainframe."

LAN e-mail packages have also become more secure and flexibility and connectivity are improving. The main suppliers are beginning to introduce global naming, a feature which allows every server on a wide area network to distribute a list of all its users to every other server.

This feature already exists in Banyan's Vines system, and will be included in Novell's next release of NetWare, NetWare 4.0, early next year. Combined with suitable gateway connections to other messaging systems, it allows a server route to make calls right across a WAN.

There are now approximately 10m e-mail users worldwide, of whom around half are using a PC LAN-based system. Figures from market researcher Romtec suggest that some 90,000 UK users hooked up to a new PC-based e-mail system during the first half of this year. This makes e-mail one of the fastest-growing software areas and one which is winning a lot of attention from suppliers.

The most important innovation is the emergence of the mail-enabled application. Whereas sending a mail message currently involves calling up the e-mail program separately, and creating a text-only message, in future "Mail" will simply be a menu option in virtually any program, similar to the "Print" command.

Two groups of suppliers have taken it on themselves to put an end to the confusion by producing a standard for writing applications programming interfaces to allow developers to mail-enable applications

Users will be able to create a spreadsheet in Excel, for instance, and mail it to any other user running Excel on the network, adding comments, graphs, even sound. Gateways will allow messages to be sent from PC to Mac to Unix workstation, even a fax machine.

Mr Gavin Lennox, Lotus' product marketing manager for cc:Mail, describes a demonstration where sales reps used pen-based portable PCs out in the field to fill in electronic forms and then sent the information back to the office LAN instantly, using a wide area radio network, where it was automatically routed and processed.

This type of application takes the emphasis away from simple messaging and into the area of workgroup computing, where groups of users can work collaboratively on shared information. E-mail conferencing becomes possible. Work flow can be automated so that, for example, an electronically-created expenses form can be filtered by the system and automatically routed to a manager for approval if the total exceeds a certain amount.

Mr Allan Paterson, director of planning and control at Bass Breweries, is in the process of introducing Microsoft Mail throughout the organisation. Over 6,000 users worldwide will be added to the system over the next two years, and there will also be gateways to the e-mail systems of the company's principal customers and suppliers.

"It's improving productivity already," he said. "And in the last couple of weeks we've put it on the most senior desks, and we've found once they've tried it people are asking 'can you put it into my home?', or 'can you add such and such a person?' A me-too attitude soon builds up."

The snag in this vision of collaborative working is in the lack of a standard covering how the mail-enabled applications communicate with the messaging back-end, and how that back-end controls the addressing and routing of calls.

Many mini and mainframe e-mail systems, in particular, make no distinction between the application and the back-end.

In fact, few of the several hundred e-mail "standards" currently in existence even agree on the definition of a message, let alone a common way of addressing and routing calls.

Standards body CCITT has published a messaging standard, X.400, but suppliers have found this so limiting that they have tended to implement their own versions of it, leading to a distinct lack of compatibility. Novell's Message Handling Service (MHS) has become something of a de facto standard for communication between different LANs, and is supported by most e-mail suppliers, but up to now there has been no standard way of mail-enabling applications.

Mark Hassall: LAN-based e-mail has everything mainframe systems had

Until now, each e-mail transport system has had a different API and software developers have had to produce different versions accordingly.

Two groups of suppliers have taken it on themselves to put an end to this confusion by producing a standard for writing applications programming interfaces (APIs) to allow developers to mail-enable applications.

Microsoft is pushing the Messaging Application Programming Interface (MAPI), and has support from Digital Equipment Corp (DEC), Banyan Systems, Hewlett-Packard and others.

Meanwhile Lotus, Apple, Borland and IBM have teamed up to produce the Vendor Independent Messaging (VIM) standard. Novell is a member of both camps, and has promised that it will adapt MHS to support both.

Users have pressed each group to include support for the other's standard, but so far with little success.

The best bet for compatibility is the fact that both MAPI and VIM have been submitted to the X.400 API Association, which is expected to produce a compromise Common Application Call Set in the near future.

Once this happens, mail-enabling can really take off in earnest, although this won't happen overnight. Both Microsoft and the VIM consortium will take some time to bring their APIs into line, and the chances are that, just as with the original X.400 standard, developers will add their own elements.

And until a true mail-enabling standard emerges, users will be restricted to packages from either Microsoft or the main VIM members.

As Lotus' Mr Lennox says, "both groups are in around the same position – and that's close to the starting block".

THE TECHNOLOGIES: OSI

Tangled web of interchange unravels

"YOU can die of boredom sitting in a standards meeting week in week out," says Mr Mark O'Neill. He should know. As a strategy chief at the Department of Trade and Industry he is responsible for getting the UK business community interested in the implementation of Open Systems Interconnection (OSI).

OSI offers a complicated seven-layer model of communications protocols. These should ensure a seamless exchange of information across computers from different suppliers. And the Government OSI Profile (Gosip) is aims to simplify the tangled world of OSI protocols.

"We try and reduce the sheer number of options available to people by focusing on those areas of direct use and interest to people," he says.

Mr O'Neill and his team at the DTI's Millbank Tower have concentrated the world of OSI into manageable chunks.

OSI base standards for local area networks contain detail on the co-efficiency of the wrapping applied to electrical cable. Mr O'Neill that thinks the end-user can be spared such fine print.

'You find yourself with a 300-page document, and that is not realistic for the end-user'

"You find yourself with a 300-page document, and that is not realistic for the end-user. Gosip reduces it all to something simple." Gosip has whittled the 400 options contained in the OSI model down to 12 essentials.

Although it is a government sponsored initiative, Gosip aims to lead the commercial sector. "We don't just sit in Millbank and make it up," says Mr O'Neill, "because we want to do what people want we built feedback into the process."

Computer suppliers have been quick to hitch their own standards groups to the official bodies and have good incentives for keeping abreast of standards. "The government backing for OSI is driving us as suppliers," says Mr Simon Goodwin, connectivity manager at NCR in London. A user base in local and national government obliges NCR to sign up.

Suppliers have done more than ape the OSI line. They have set up a parallel bureaucracy. EurOSInet brings together representatives of the leading vendors in meetings around Europe. Companies nominate one European office to represent their perspective on evolving standards. Internal documents make it plain that active participation in maintaining common European standards is commercially vital.

NCR's Copenhagen office is responsible for briefing the rest of the organisation on the significance of a European procurement standard. It characterises the OSI market in stark terms: "320m people, a yearly spending on IT equipment in the $100bn size."

Enter the EC and a new acronym. European Procurement Handbook for Open Systems, Ephos, is the Brussels answer to Gosip. It is serious. "In order to sell in Europe NCR must deliver products that follow the procurement standards or be able to justify why the NCR approach is better." This is NCR Copenhagen's line on Ephos.

Ephos owes its existence to a 1987 EC directive that sought to include IT systems in the single market boat. On March 26 this year, 200 representatives of standards bodies gathered in Brussels to push the Ephos boat out.

The message was that Europeans could establish IT procurement standards on a par with the rigid US government rules. The list of attendees sounds like a lost language. Ositop, Spag, Ewos and OSTC were among the acronyms celebrated.

Where does Ephos leave Gosip? Some observers of the standards scene are cynical about the proliferation of OSI committees.

One source close to the DTI claims that commercial realities seem to have taken a back seat in the round of meetings between the two.

An industry observer uncharitably characterises the Gosip/Ephos interface as "the bleeding edge".

"Ephos promises a level playing field for suppliers across Europe," says Mr O'Neill, stressing the cordial relations Gosip staff enjoy with their near neighbours in Ephos. "We fully support the Ephos initiative. There is some repetition of work, but not as much as you'd think."

Mr Colin Tulley is on the IT planning group at Trafalgar House. It is his lot to translate the work of EC and DTI standards bodies into useful tools for a conglomerate that embraces shipping, engineering and construction interests. He displays a refreshingly practical attitude. "We've said we'll support the Gosip profile where possible but we'll go outside the guidelines if there's a business argument for doing so."

One of the key features of OSI is X.400. This is a communications protocol that provides a common electronic mail vehicle for the internal networks of large organisations. Trafalgar House has implemented X.400. Mr Tulley speaks of the achievement with a mix of surprise and pride. "We've actually got X.400 up and running. Trafalgar House has a plethora of different computer systems and X.400 is a flexible E-mail based vehicle for outside clients too."

John Brown Engineering is an arm of Trafalgar House that has pioneered OSI. Documents, images and drawings are the stuff of its precision engineering business. These articles need to be transported internationally. "The idea is to exchange technical drawings, to update and come to agreement readily," says Mr Tulley. The means is X.400.

OSI compliance has meant a modest investment for Trafalgar House so far. A Hewlett-Packard Unix machine to run the Open Mail X.400 product cost around £40,000. As the John Brown project expands, one or two more of these machines will be dedicated to communications.

But pricing out a communications strategy is not a high priority. "There probably isn't an identifiable tangible payback for this kind of technology," says Mr Tulley, "The point is that it helps you service your customers more effectively."

'The point is that it helps you service your customers more effectively'

From the John Brown pilot, Trafalgar House plans to expand the reach of its OSI products via a private network that will link every operation in the group. Mr Tulley is at pains to underline the commercial reality behind the conglomerate's attachment to the DTI's favourite protocol.

"We have a sceptical view, freedom to choose suppliers is our motive, in an ideal world we want to switch from hardware platform to platform with ease."

Mr Tulley welcomes Gosip as a cut-down version of OSI that allows the user to choose which options he wishes to support. But he claims many standards are open to interpretation and says a full scale implementation of OSI is impractical. "It takes up too much room on the machine and that's the penalty you pay for having standards built by a committee." Such instinctive dislike of officialdom may be the grand design's biggest handicap.

Michael Dempsey

LOCAL AREA NETWORKS

ATM changes the rules

The growth of computer networks in the past decade has pushed communications technology to its limit.

As companies connect *increasing numbers of personal* computers and workstations to their enterprise-wide networks, the limitations of the first wave of local area network (LAN) technology have become evident.

In addition, companies now see LANs as more than just a way to connect conventional computers together. *They see* the potential of multimedia networks and the applications opportunities they offer.

Consequently, they want to use the same network to carry voice traffic and, looking to the future, they want to be able to use it for video and images too.

The combination of these different forms of traffic and the increased volume of digital data they generate means that *existing networking technology is inadequate.*

Fortunately a new technology, which can meet the demands of future networks, has emerged from the international telecommunications sector: Asynchronous Transfer Mode (ATM) promises to overcome the limitations of current networking technology and, more importantly, to bring a common form to networking *traffic regardless of its content.*

Larger companies are starting to plan for ATM technology and it has backing from a broad range of computer and communications suppliers:

"ATM technology offers a different way to build networks and will change the whole networking industry," says Ms Bobbi Murphy, vice-president of marketing for Hughes LAN Systems, the *communications subsidiary of* Hughes Aircraft.

Hughes LAN is one of the first communications suppliers to come to market with ATM products. Ms Murphy says existing LAN technology is *limited in* "bandwidth", a measure of the amount of data which can be carried on a communications line. "If you put more users on the network you run into performance problems because of the small band width. And it is made worse by the way that LAN technology works," she says.

*Most LANs us either Ether*net technology or "token-ring" technology. In both cases, data is sent around the network in variable length "packets" – a method which incurs processing overheads.

Furthermore, a number of different network formats or protocols has grown up over *the past decade and, when a* company wants to connect two different types of LAN *together, data must be trans*lated from one format to the other. When LANs are connected to external wide area networks (WAN), further translation or "protocol conversion" is usually needed.

ATM technology aims to solve many of these problems. Like current LAN technology, *it also uses "packets" to carry* data. But it avoids many of the problems by using a fixed-size packet. Each ATM packet – known as a "cell" – contains only 53 bytes of data, including five which are used for addressing and routing the data through the network.

This has a number of advantages – the most important being that the cells can be handled by hardware, thus speeding up the network. The speed of transmission is crucial when carrying the voice and video signals over the network. Current LAN technology operates *at a maximum transmission* rate of 10 megabits a second and has the potential to handle much higher rates.

Mr David Drury, European general manager for US supplier Fore Systems, sees the scalability of ATM technology as one of its main virtues: "There is a hierarchy of speeds possible with ATM from 155 megabits up to 2.4 gigabits.

"If you run out of bandwidth between points in the network – you don't have to throw it all out – you can upgrade *those parts of the network* where higher speeds are needed," he says.

"It is the first time you will have all communications in a single media format. It is not just a 'go-faster' technology – it enables new applications."

Fore Systems began deliver*ing ATM compatible network*ing products in May and sees it as an important growth area. Like Hughes LAN, Fore Systems sees the main demand for products which can help the transition from current LAN technology to ATM.

"We can provide products which can link to current technology *like Novell's Netware,*" says Mr Drury.

A big advantage of ATM is *that the large telecommunica*tions suppliers – including AT&T and MCI in the USA and British Telecom in the UK – are committed to move to the technology for their long-haul networks. Once in place, all types of data can be moved from source to destination without the need for conversion.

"It will probably be 1995 before the wider ATM infra*structure starts to slot into* space. But there are opportunities now for companies to use *it for high-speed LANs,*" says Mr Drury.

The UK could be in the forefront of the move to ATM technology. Plans have been approved by the UK government to upgrade the Janet network, which links UK universities and research institutes, to *ATM technology. The new net*work will be known as SuperJanet and will use ATM technology to link 200 sites across the UK.

"We *aim to offer much* higher performance and provide a multi-service network to handle voice, data and multimedia," says Dr Robert Cooper, director of networking for the UK universities and national research institutes.

"We *are moving more* towards image-based communications and this will open up all kinds of new applications."

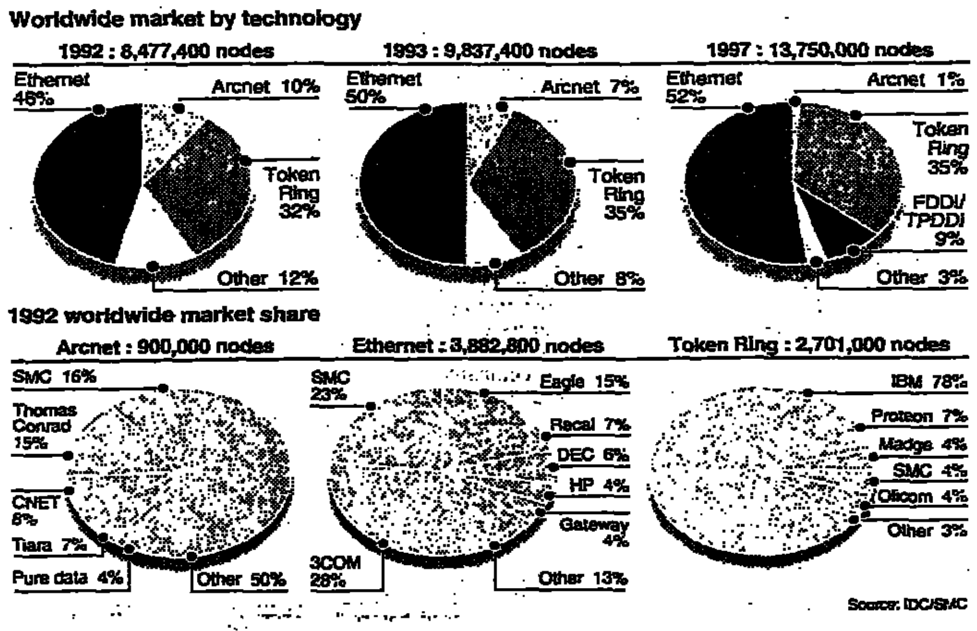
Dr Cooper says education and medical applications in particular will benefit from the faster speeds and greater bandwidth offered by ATM. A pilot application to link six UK sites with ATM is scheduled to start in March 1993.

It seems likely that this will be the first of many moves towards ATM technology for future networking needs.

Philip Manchester

PC LAN card

Worldwide market by technology



Source: IDC/SMC

David Drury: a hierarchy of speeds is possible

Network mangement potential remains untapped

Waiting to plug in

NETWORK management is one of the big challenges confronting the information technology industry today. The promised land of open systems, which depends heavily on more effective network management, *looks to be still a long way off.*

The aim is to be able to manage distributed information systems as well as the present generation of centralised mainframe or minicomputer systems. But experts say this will not happen much before the turn of the century.

Mr Steve Wendler, vice-president *of US market research* firm Gartner Group, predicts cautiously: "In the latter half of the decade we shall start to see these problems more comprehensively addressed."

Meanwhile systems managers remain unable to harness the full power of distributed processing for transmission of *large volumes of data across* multi-vendor networks to support their critical applications.

Network management is a relatively new subject.

Estimates of the proportion of IT budgets consumed by network management range vary from 2 per cent to 20 per cent, but it is generally agreed that as recession puts budgets under pressure, investment in network management products has been cut back.

Mr Tony Miller, a consultant systems engineer at Hitachi *Data Systems says: "There is a* general reluctance to invest in network management, because people don't realise that the network is the system."

The upgrading of corporate networks has been stalled – and in some cases reversed – by the recession. Meanwhile mergers and takeovers among systems suppliers have created a lot of work in rationalising their product lines.

Mr Bob Broadbent, general manager of consulting and technical services for ICL says *there are no off-the-shelf solu*tions yet, so that tasks such as configuration management and software version control, often require outside systems integrators to handle.

The network management issue is bigger than most which the industry has tackled up to now because it requires the collaboration of many large companies in computing and telecommunications.

Many in the industry say the situation is made worse by the plethora of consortia and standards bodies which appear to be more in conflict than in collaboration.

The supreme authority is the International Standards Organisation, which is developing its open systems interconnection (OSI) framework. But there are no full specifications for network management within OSI nor are there likely to be for perhaps 10 years.

The principal network man*agement software products,* such as IBM's Netview and equivalent packages from Hewlett-Packard and Sun Microsystems are moving gradually towards OSI.

No supplier now questions that OSI is the ultimate goal, but users are left wondering how to cope until OSI matures. The problem is how to avoid a strategy which results in their technology being obsolete in three years' time.

For instance, many users face s choice between the OSI *standard CMIP (Common Man*agement Information protocol) and the SNMP (Simple Network Management protocol), supported by the Internet organisation.

Many think CMIP will be the long-term winner, since it is seen as the cornerstone protocol of OSI, but wonder if in the short term they would be better to back the cheaper and easier, if less secure, SNMP.

SNMP has been widely adopted by users who want to integrate their local area networks, *while CMIP has so far* only been taken on by a few large users seeking to unify their management *information* from a range of diverse networks.

These leading users, mainly multinational corporations, will start to adopt OSI standards more widely in two or three years time. But they will probably not be able to create a full OSI network until well into the next century.

There are some hopeful signs. One is that the Network Management *Forum* (NMF) dropped the "OSI" from its title, signalling its willingness *to adopt a more* pragmatic stance. This has strengthened its position as driver of the campaign to set networking standards. It continues to support OSI as a long-term goal, but recognises that users have immediate problems which may compel them to adopt interim solutions based on less *than ideal products.*

Omnipoint, an initiative run by the NMF, has brought out a set *of standards for interopera*bility which appears to be gaining acceptance.

Some users are looking to solve the problem by outsourcing their networks as well as the rest of their IT. The poten*tial cost-savings from this pol*icy are less impressive than those gained by devolving responsibility for hardware or software, but any savings are seen as worthwhile in the cur*rent economic climate.*

More importantly, outsourcing can secure access to scarce skills. Mr Chris Massey, IT manager for the Ticketing Group, part of Wembley, the London event organiser, says this was the motive in letting Systems Reliability take charge of his network of Compaqs and Apples.

High level skills such as those required for network management remain in great demand even amid a rising tide of unemployment.

George Black

Paul Taylor looks at the ways electronic data interchange is being put to work

Towards a world without paper

THE rapid growth in the use of electronic data interchange (EDI) by companies and other organisations to exchange information, particularly routine documents such as orders and invoices, is beginning to transform the traditional paper-based business transaction.

EDI is a value-added network service which enables two organisations, such as customer and supplier, to exchange business documenta*tion in a standard electronic* form using their own computers linked through a service provider. It is one of the most dynamic applications made possible by computer networking and is expected to grow steadily in importance and eventually replace paper-based transactions in many business sectors.

Typically, a standard business transaction such as an order is generated on a computer, printed out, sent to a supplier and then re-keyed into another computer. EDI provides an electronic "short-cut" which is faster and often cheaper than paper-based transactions and reduces the need for re-keying data and therefore the risk of error.

Orders or invoices sent by EDI can be placed and confirmed in seconds and one US study suggested that electronic trading can reduce the cost of processing a form by 90 per cent. By reducing the time taken to process a transaction manufacturing companies and retailers can reduce their level of stocks and adopt management techniques such as just-in-time inventory control.

Trading information electronically can also help suppliers and their customers align their operations more closely to sales patterns and other variables, and lead to a closer "partnership" between supplier and customer.

In addition using EDI automatically sets up an "audit trail" which enables an organisation to check and validate electronic documentation or bill a transaction between separate parts of the same organisation.

The benefits have brought big growth in the use of EDI in the US and in the UK

These benefits have brought big growth in the use of EDI in the US, where it originated and in the UK, which is generally accepted to be the EDI leader in Europe. However, Ovum, a consultancy specialising in telecommunications market, suggested in a recent forecast *that the rest of Europe is* catching up fast. Two years ago, Britain accounted for 60 per cent of European EDI-users. Now, the proportion is down to 40 per cent.

Between 6,000 and 7,000 companies and organisations in Britain are using electronic trading and the number is growing by more than 20 per cent a year. But there is still room for growth. Some recent estimates have suggested that only 3 per cent of business transactions in the UK are cur*rently handled by EDI.*

International Network Services (INS) the biggest of the UK-based EDI *services* providers with an estimated 55 per cent market share, handles over 6m documents a month on its Tradanet service and says 100 new companies are joining it's "EDI community" every month. Its customers include 78 of the top 100 UK companies, nine of the top 10 *retailers, the 10 largest* pharmaceutical companies, 17 of the top 20 non-life insurers, 10 regional health authorities and four clearing banks.

Other EDI network service suppliers in the UK include AT&T Istel, which has a strong base in manufacturing indus*try, British Telecom, IBM, and* SD-Scicon. Companies use these service suppliers because they *provide a central "post office"* function, directing message traffic to the appropriate recipient and providing any "data translation" needed between different computers or message standards.

UK sectors which have pioneered the use of EDI include the motor and electronics industries and the retail trade, particularly the supermarket chains. The large scale usage *by supermarkets in particular* highlights the particular attractions of EDI to busi*nesses with high volumes of* low-value transactions and those involving fast-moving or perishable goods.

Although EDI is still a relatively new use of networking technology some clear trends are emerging. According to Mr Colin Billinge, marketing director for INS, these include:

● *Internationalisation.* There is an increasing use of Edifact (EDI for Administration, Commerce and Transport), the emerging group of international message standards. Mr *Billinge* estimates that somewhere between 15 and 20 per cent of INS's customers now *have international links.* Retailers led by Tesco and Boots, which have developed *extensive domestic supplier* networks using EDI, are now doing the same with overseas suppliers.

Tesco started its international programme in January with MD Foods, its Danish dairy products supplier. Since then it has extended its use of INS-Tradanet overseas to include selected Belgian, German and French suppliers. By *the end of this year it expects to have established EDI links* with 50 or more overseas suppliers.

"*Our aim is to extend signifi*cantly our electronic trading links with European business partners, initially for the transmission of EANCOM purchase orders, followed by invoices and other documents such as forecasts of expected demand," says Mr Geoff Warburton, Tesco's controller.

In Europe, where only about 2 per cent of EDI traffic is trans-national, this process is likely to be accelerated by the introduction of the EC single market at the end of this year.

Mr Patrick Smith, Boots' EDI manager, says: "The single market is providing us with the springboard from which to extend our electronic trading links to our numerous international suppliers. The benefits of international EDI are likely to be even greater than we have seen nationally to date, shrinking both time and distance, *enabling us to ignore* geographic boundaries."

● Increasing Sophistication. Originally EDI tended to be used only for basic transactions like ordering and invoicing. However as familiarity with electronic trading has grown, so *has* the range of information transmitted over EDI links.

EDI is also being integrated into existing internal electronic mail systems

Some EDI users are now using the system to exchange information, such as demand forecasts, with their suppliers.

For instance Tesco, which has built a network of more than 1,000 firms communicating electronically, has begun to issue 13-week rolling forecasts of demand to some of its suppliers. By cutting the time between placing an order and delivery retailers and their *suppliers can operate more effi*ciently, cut their administrative costs and keep stock levels to a minimum.

Some EDI pioneers have even begun to introduce self-billing and automatic re-stocking of customers. Using EDI trusted suppliers can be authorised to deliver goods as *their customers' stocks* run low, without needing order messages. Meanwhile customers can invoice themselves and arrange payment through the banks, which are also starting to join in the EDI networks, thus eliminating the whole paper transaction cycle.

● Integration. EDI is being *integrated into the fundamen*tal business process. One effect of this is that there is a growing use of EDI to exchange "unstructured data" for example design work or cad-cam drawings.

EDI is also being integrated into existing internal electronic mail systems. Using EDI in this way enables a customer to link two incompatible Email systems, for example in different departments or divisions.

Software such as INS- Ediswitch is being used by companies to provide both an internal data switch and a gateway to the outside third party services providing what Mr Billinge describes as "the first complete 'one-stop shop' for electronic trading."

EDI is also gradually reach*ing a wider audience. Not only* are new sectors, such as the book industry in the UK, beginning to adopt electronic trading, but customers are devising new innovative uses for EDI.

EuroDollar, the UK's second largest daily car rental company, is using it to combat car crime. When EuroDollar purchases a new vehicle its details are sent electronically to HPI, a vehicle information specialist, to be stored in its Security Register. Over 16,000 motor dealers check the history of a used vehicle they are offered against the register.

If the vehicle appears on the register, HPI warns the enquirer and the owner, so if EuroDollar receives an "alert" from HPI, it knows one of its fleet is being illegally offered for sale and can take immediate action.

Government departments and other public sector organisations such as the national Health Service are also increasing their use of EDI. Within *the UK government,* the Education Department is probably most advanced in its use of EDI and electronic messaging and all 117 education authorities have now been linked into its dedicated EDI network. Other departments, including the Home Office and the Central Statistical Office, are also examining the potential use of what has become known as administrative EDI – to differentiate it *from the* usual commercial uses of EDI.

The growing use of EDI by both the private and public sector means that it is becoming increasingly important for even small suppliers to have access to an EDI network. Already many big UK companies have begun signalling to their suppliers *that they must* adopt EDI in the next few years if they want to continue trading together. EDI capability is rapidly becoming part of the cost of doing business.

هكذا منه الأصل

COMPUTERS AND COMMUNICATIONS 5

Olivetti transfers the videophone from science-fiction to reality

Livening up the picture

THE operators of two personal computers will exchange data between Pisa and London today. The information will be flashed across Europe using Integrated Services Digital Network (ISDN) telecoms standards.

There's nothing unusual about that. What merits a public demonstration at Wembley's Interactive Multi-Media Event is that video cameras fixed to each monitor will transmit a live video image of either user.

The picture forms one frame of a split screen using windowing software. Other windows will contain still images that can be modified by one party as the other looks on. A telephone handset completes the communications package.

The Personal Communication Computer (PCC) is the result of collaboration between British Telecom and Olivetti multi-media research labs in Pisa.

It marks the transition of the videophone from science-fiction gimmick to working tool, and owes its existence to the maturing of international communications standards.

Mr Chris Hart is a BT manager for architecture, technology and standards. He has watched video communications struggle after a false start. "The original BT video experiments were in the '70s, but what came out of them was teletext. BT had a belief in video telephony then and it bombed." Transmitting a moving image digitally was the problem.

That was before ISDN arrived to support the speed of transmission and provide an internationally agreed standard to carry the data. ISDN has been fuelled by the Open Systems Interconnection (OSI) initiative towards open standards in computer communications.

Without a widespread data standard the PCC would be an expensive laboratory toy. A communications computer that would only talk to machines from the one supplier would not appeal to any sensible user.

With commonly defined standards, BT can launch PCC products with any other computer maker it choses. An alliance with IBM is already in the works.

The PCC only began to make sense with market acceptance of multi-media, the technology that ties video, audio text and


Olivetti's PCC: a multi-media PC integrating the functions of a video telephone over ISDN lines

graphics together in one PC package. Olivetti used off the shelf products (the video camera is from Panasonic or Sony) and married them to the PCC. The product owes its existence to these underpinning technologies.

Not every business application cries out for live video links. Foreign exchange dealers do not require their trading partner to witness the chaos of a dealing room. And because ISDN signals still travel over copper wires, the video rate is slowed down to 10 frames a

Communicating with a live member of staff is the next step in the use of multi-media in retailing

second, around a third of TV transfer rates. The result is a slightly jerky picture.

But EC-funded work carried out as part of the Research into Advanced Communications in Europe (Race) project suggests live video links are more than an elaborate gimmick.

Prototype PCCs became popular with staff at Allied Irish Bank. The ability to communicate with a live member of staff is the next step in the use of multi-media in retailing.

Interactive systems using video disks are currently used to sell financial services. But they are limited to answering whatever queries the help-screen has been pre-programmed for.

Sooner or later human intervention is required. One expert at one location can service several retail outlets via a network of PCCs.

With enhanced versions on the way, Olivetti is proposing to rent out a pair of PCCs for £2,000 a month, with imminent upgrades thrown in. Used imaginatively the ability to redesign plans and documents on-screen over great distances could offer significant cost benefits.

And the advance of open computer communications has already been seized on as a force multiplier by the retail banking industry.

Olivetti will deliver 1,000 network controllers to National Westminster Bank this year. The bank is spending £20m in the current year to get a comprehensive dedicated computer communications systems up and running.

These controllers are powerful workstations known as file servers that will run NatWest retail banking applications in each branch and summon personal account data via the bank's network. The X.25 OSI protocol is the key to NatWest's plans. Building a network around the open systems model permits chopping and changing suppliers at will, provided they meet OSI criteria.

Olivetti is prime contractor on the project. It integrates software from the bank and third parties and ensures that the resulting system will run happily across a wide area network. This contract comes as recognition of its status in the open systems world. But that achievement also contains a threat.

NatWest is buying in Olivetti expertise in creating a broad-ranging network that will be open to other sources of technology. Doing the job properly and within cost is the only guarantee Olivetti has of being asked back to participate next year.

Olivetti was an early and enthusiastic participant in the business of open communications. Historically it had never invested in its own proprietary protocol. The pay-off comes with contracts such as the NatWest deal.

But dedication to OSI has its drawbacks. Older, non-open standards still enjoy a massive user base, especially in the US.

"We were first in when the OSI ball started rolling, but the market hasn't embraced OSI to the extent planned and Olivetti has invested a huge resource in it."

Mr Chris Wilson is group communications manager at Olivetti in the UK. He is well aware that a religious adherence to OSI can earn little recognition. "Most OSI work we sell is embedded under other products," he says. A majority of UK building societies now rely on OSI networking products from Olivetti. But the company's crucial code-writing skills have a low visibility.

As customers exert greater pressure on costs, Olivetti will have to fight to justify prices that reflect a great investment in baseline communications technology. If the PCC is popular BT will have Olivetti's rivals queueing up to adapt their business computers to the world of video links. Getting in first has obvious advantages, but staying ahead of the pack could be tougher than acquiring an open communications capability in the first place.

Michael Dempsey

PROFILE: DIGITAL EQUIPMENT

Tackling change head on

DIGITAL Equipment is betting its future on open systems. The world's second-biggest computer company – and the first to build its success on the popularity of minicomputers – has declared that open systems are vital to its survival.

This is radical stuff, particularly for a company that built its fortunes on "proprietary" computer designs. However, according to Digital Equipment's new president and chief executive officer Mr Robert Palmer, the company will not make it to the end of the century without these changes.

"Digital is facing a much more competitive environment than it has ever faced before," he said in his first major speech since taking the top job at Digital. "Driven by open systems and by breakthroughs in silicon technology, a massive change has been sweeping through our industry. The historically high margins on hardware and the business model upon which Digital was built are no longer sustainable."

Mr Palmer says Digital has had to change totally the way it operates. "As computer hardware performance skyrockets, open systems and the competitive process are driving down prices and squeezing margins, requiring that we lower our cost of doing business.

"We understand that very clearly. It comes to us in the almost paradoxical messages that we get from our customers. In terms of hardware, customers have never been as empowered to control the market as they are today.

"At the same time, the rapidity of technical change and the difficulty of integrating divergent systems has had an unsettling effect on many customers.

"Some customers are outsourcing – delegating total management of their computers to us. Others are seeking a greater level of advice, support and partnership from us than ever before."

One clear demonstration of this commitment has been the development by Digital of its OpenVMS environment – an "open systems" variation on the company's popular VMS minicomputer operating system for its VAX range.


Robert Palmer: facing a more competitive environment

Critics of OpenVMS might suggest that this is merely Digital's attempt to cash in on the popularity of open systems. But Digital says that it has changed the name of VMS to OpenVMS to reflect its "product branding" from the X/Open independent open systems group – and that OpenVMS is

'We are committed to the concept of being customer driven . . . Digital is clearly confident that OpenVMS can compete on its merits without the protection of a proprietary lock-in'

now the first premier, commercial operating system to achieve such a level of open systems conformance.

According to X/Open spokesman Mr Michael Lambert, Digital's work towards more open systems by conforming to the standards set by his consortium will serve it in good stead.

"OpenVMS represents a clear response to user needs and the strongest possible commitment to open systems," he said. "Digital is clearly confident that OpenVMS can compete on its merits without the protection of a proprietary lock-in."

In addition, Digital says the OpenVMS environment – along with the OSF/1 (Open Systems Foundation) and Microsoft Windows NT operating systems – form the foundation of Digital's new strategy.

Meanwhile, Mr Martin Hingley – a senior technology analyst at International Data Corporation (IDC) – suggests that Digital seems to be taking the right approach by building "open systems compliance" into both the name and content of VMS.

"Open systems are about a lot more than just Unix," he says. "With OpenVMS, Digital's customers no longer need to make choices between 'standards' and the high performance of VAX. Digital also stands to expand its government business in Europe."

Digital has another weapon in its open systems arsenal. Known as Alpha, it is a 64-bit computing architecture designed to give Digital a huge performance edge over the competition.

The first implementation of the Alpha architecture is Digital's DECchip 21064 - which it claims is the world's fastest microprocessor, running at clock speeds of 150 to 200 Mhz. The fastest microprocessors typically used in today's personal computer systems only run up to 66 Mhz.

Digital says that although its latest systems do not use this much-touted Alpha architecture yet, they have been designed to be "Alpha-ready". This should mean that the company's current and prospective customers can "migrate" in the future from existing systems to more powerful VAX or Alpha-based systems.

The final word on these and other plans belongs with new Digital boss Mr Palmer. "We are committed to the concept of being customer driven," he promises. "As our customers demand more, we intend to deliver what they tell us they need. For example, customers are demanding open systems – open systems are driving this market. Digital will therefore do whatever has to be done to be a leader in open systems."

The company, he adds, is also aggressively investing in systems integration and consulting expertise as a part of this drive. "Digital's systems integration business is growing at more than 20 per cent per year and is profitable.

"It represents an excellent opportunity, exceeding $2bn in revenue in our fiscal year. We will continue to focus here, and in our multivendor service capabilities. We now service more than 10,000 hardware and software products from 1,300 different vendors.

"And that number is growing. Digital does a better job integrating multiple vendors, hardware and software products than anyone else in the industry, and we will continue to focus on that capability . . . We are committed to expanding our industry-focused applications by substantially growing the number of our software partners."

Geof Wheelwright

Executive information unlocks data stored in different systems

Manna to the management

EXECUTIVE information systems have been around since the mid-1980s but it has taken developments in other areas since then to get them widely accepted.

Recent studies suggest that over 40 per cent of the top 1,000 companies in the UK now have these systems and that 7,700 managers in those companies use them. The number of users is expected to grow by 30 per cent this year.

In theory and, increasingly, in practice, executive information systems are the answer to senior management's prayers. They unlock the masses of data stored in different systems across an organisation and present it as colourful, graphical summaries. Users can seek further detail by touching areas on the screen or using a simple keypad or conventional keyboard, but the emphasis throughout is on ease of use.

The raw data behind the charts and graphs comes from the traditional corporate or departmental systems handling order processing, stock control and so on. Other possible sources include external databases or news services, word processors and electronic mail systems.

The executive information system's role is to extract the relevant data from many sources and present it as information in the formats demanded by the users, often on a personal computer connected to a central system. The PC can usually be connected to gather the latest data and then used on its own for examining the information.

The format and content of each chart have traditionally been fixed when the system is set up. The idea was that the system would reflect the periodic management briefing book.

There are simple links between charts: an executive could move from a consolidated sales graph to a chart about a troubled subsidiary and then to a region and down to an individual shop, product or salesman – each time at the touch of a key or a spot on the screen.

Instant access to summary


David Harvey: think through exactly what you want

information, the potential for highlighting exceptions or variances with budget and the ease with which executives can find the reasons for a variance, in terms of an individual salesman's performance, have thrown up major implications for entire organisations.

Users have pointed out that with paper reports, if a problem is highlighted at a monthly directors' meeting, someone is asked to gather information for the next meeting. An executive information system provides the detail immediately.

This in turn means people further down in the organisation, close to the problem, have to confront realities and react quickly: they can no longer fudge an answer for senior executives, because those executives have the hard data.

The direct access to information and closer ties between with junior managers also mean the top executives no longer need all the support people who in the past would have been responsible for gathering data and turning it into information reports. In some cases companies have cut three or four layers of management after setting up an executive information system.

Even so, views on the success of the systems have been mixed, at least until recently. At the start of the 1990s studies by Business Intelligence, a research company which largely specialises in executive information systems, found that although 75 per cent of managers had seen improvements in financial control, information quality and problem solving, similar numbers reported no advantages from replacing existing paper systems.

Mr David Harvey, a director of Business Intelligence, says the disappointments were largely due to a failure to apply technology properly.

"Simply replacing the briefing book is like using a racehorse to pull a cart," he says. "Too many of these companies failed to think through exactly what they wanted. You have to think about how the system can change the way the organisation is run." However, two separate recent developments are starting to change attitudes towards executive information systems and to expand their use.

First, in the past year suppliers have responded to developments in so-called client-server computing, open systems and graphical user interfaces and have built more flexibility into their systems.

Established and traditionally mainframe computer systems are now being offered for PC networks. Where systems used to draw data from corporate files into their own databases specifically for their own use, they now provide direct links into popular database systems such as Oracle and Ingres. In addition, system development aids are being provided so that a user company's computing specialists can set up screens and the links between them.

"Originally executive information system suppliers provided a closed package of user interface software, processing software and data, but now we're separating the components and going for open systems architectures," says a spokesman for Pilot Executive Software, which vies with Comshare for the title of market leader.

Prices have also moved more into line with what PC users expect: traditional mainframe systems have cost tens of thousands of pounds to set up; Comshare's new offering starts at £13,700 for 10 networked PCs.

The second development affecting executive information systems is in business thinking.

"Traditionally finance has been the only measure of corporate finance and executive information systems have tended to provide financial reports," says Mr David Harvey at Business Intelligence. "But now there is pressure to redefine business performance measurement and bring in other factors."

Such developments have helped increase both the use of executive information systems and users' satisfaction with them.

At Norwich Union, for example, a Comshare system is used daily to look at relevant news from the financial press and analyse it under headings such as insurance companies and disasters. Yorkshire Water monitors trends in water quality, as well as capital investment and human resources.

The expanding application of executive information systems seems to have brought greater user satisfaction. New research by Business Intelligence* shows that 33 per cent of users mention tangible benefits, 58 per cent intangible benefits and 10 per cent both. Only 4 per cent report no benefits.

In addition two-thirds say their systems have "substantially" improved their decision making, largely through the ability to get to the bottom of exceptions.

The expanding application and the increased satisfaction are leading to wider use. In the Business Intelligence survey 40 per cent of respondents said they would have over 50 users within two years and a further 20 per cent expected similar growth in the next three years. In 7 per cent of organisations there would be 1,000 users by 1997.

Such growth perhaps explains why suppliers, while keeping EIS as their product name, are increasingly changing the meaning to enterprise information systems.

Understanding Executive Information Requirements. Business Intelligence, Forum House, 1 Graham Road, London SW19 3SW; Tel: 081 544 1830

John Kavanagh

COMPUTERS AND COMMUNICATIONS 6

PROFILE: NOVELL

Mirror to market growth

WITH A commanding 60 per cent share of the $800m worldwide market for local area network software, Novell is the standards setter in the fastest growth segment of the computer systems software market.

The company's flagship product, NetWare, had become the de facto standard by the end of 1986 and since then has steadily gained market share. The program is a network operating system that manages and controls the sharing of services, data and applications among personal computers linked to workgroup and departmental networks as well as company-wide information systems.

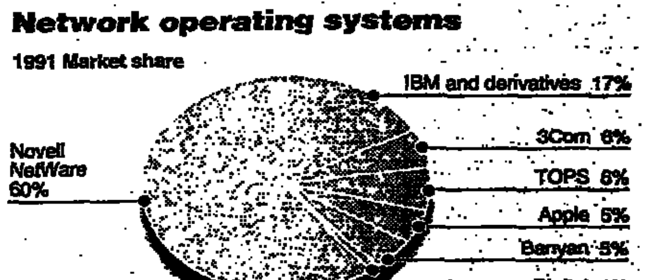
The network operating system market grew by about 40 per cent last year, according to market analysts, and is expected to maintain at least a 30 per cent growth rate over the next several years. Novell's growth has mirrored that of the market it serves.

For the first nine months of 1992 the company reported revenues of $673m, an increase of 49 per cent over the same period last year. Net income rose to $179.5m for the nine month period, an increase of 60 per cent.

The use of local area networks (LANs) has evolved over the past decade to become a primary element of corporate computing systems. While early LANs were used primarily to link PCs so that users could share printers or data storage devices, today many corporations are building "enterprise-wide" networks that encompass all of a company's computer systems.

Network operating systems

1991 Market share



Source: Computer Intelligence

Such "internetworks" become, in effect, the backbone of a corporate computing system and the network operating system is a critical element of the software environment.

Industry analysts predict that, over time, applications programs will increasingly be written not just for stand-alone computer operating systems but also for network operating system, enabling data to be more easily shared among different types of computers.

Novell's expanding role in the software market reflects the growing importance of networking as an alternative to traditional host computer to terminal links.

Novell is expected to launch, before the end of the year, a new version of NetWare that will include features designed to implement international enterprise-wide internetworks.

The market for enterprise-wide network operating systems is potentially even larger than the current market for LANs operating systems, according to industry analysts, and could reach $1bn over the next few years.

In the low end of the network operating system market for "peer to peer" LANs Novell is, however, facing a new challenge from Microsoft, the world's largest software company, which is about to launch a new version of its "Windows" operating system designed for use by "workgroups".

Mr Bill Gates, Microsoft chairman, claims Windows for Workgroups will "subsume" Novell's popular "NetWare Lite" program, a stripped down version of NetWare designed for small office networks.

Novell has not responded to Mr Gates' taunts, but in spite of its dominant role in the PC operating system market, Microsoft has so far failed to unseat the network software leader.

The primary focus of Novell's strategy is in any case focused at larger, rather than smaller, networks. Recent product introductions include message handling software, hub software, routing software and network management software aimed at large scale networks.

Last month Novell also began shipping NetWare SNA Links, a program designed to enable International Business Machines customers to connect geographically dispersed PC networks via existing mainframe computer links.

Meanwhile, Novell is mounting its own challenges to Microsoft in the computer operating systems market. Novell offers DR DOS, an alternative to Microsoft's MS DOS PC operating system. Through Univel, its joint venture company with AT&T's Unix System Laboratory, Novell aims to expand the use of the Unix operating system on PCs, competing with Microsoft's planned Windows NT. Novell owns 55 per cent of Univel.

In recent years Novell has bolstered its technology base with a series of acquisitions. The latest is Annatek Systems, a developer of automated software distribution and management systems that allow network managers to keep track of software distribution, installation and updates.

Still, large portions of the potential market for Novell's networking software products remain untapped. Currently about 30 to 35 per cent of PCs in the US are linked to networks. The penetration of local area networks is expected to rise to almost 100 per cent over the next decade. Market analysts expect virtually all PCs used in large organisations to be connected to networks.

International markets are increasingly important for Novell. For the first six months of fiscal 1992, sales outside the US represented 48 per cent of total revenues, up form 44 per cent in fiscal 1991.

Japan represents the company's most promising new market. With an estimated 10 per cent of the world's PCs installed in Japan, fewer than 5 per cent are currently linked to networks, according to industry estimates.

Louise Kehoe

PROFILE: 3COM

Widening horizons worked

A PIONEER of local area networking technology, 3Com is also proving to be a survivor. The Silicon Valley company which played a vital role in creating the local area network (LAN) market in the early 1980s is making a strong come-back after refocusing its product line on global networking hardware two years ago.

Founded in 1979, 3Com commercialised "Ethernet" networking technology, which remains a pervasive industry standard for PC networks. Ethernet "adapter cards" – add on circuit boards that plug into personal computers and enable them to be linked to a network – remain 3Com's bread and butter products and represent over half of the company's revenues.

Ill fated attempts, in the late 1980s, to broaden the company's participation in the markets for network servers and diskless PCs for networks were jettisoned last year. 3Com also withdrew from the network operating systems market in which it had first attempted to establish its own software standard and then linked with Microsoft by backing LAN Manager.

Already, however, 3Com's new focus on global networking is paying off. In September, 3Com announced first quarter 1993 net income of $4.8m on record sales of $130.9m. New product orders totalled $125.9m.

For fiscal 1992, ending May 31, 3Com reported total revenues of $408.4m, up from $393.6m in 1991. Net income was $13.3m, down from $15.4m in the previous year, when the company recorded restructuring charges of approximately $43m.

Ethernet adapter cards market share

1992	%
3Com	29
Standard Microsystems	21
Anthem Electronics	14
Racal	7
Digital Equipment	5

Source: International Data Corp

Router market share

1991	%
Cisco Systems	51
3Com	11
Wellfleet	9
Digital Equipment	7
Proteon	6

Source: The Yankee Group

Mr Eric Benhamou, 3Com's president and chief executive, attributes the company's newfound strength to two strategic directions: a relentlessly global outlook and a steady stream of broad product line announcements to address important links in the networking chain.

The company is now focused upon four core product lines; network adapters, terminal servers, wiring systems and hubs and internetworking platforms.

In September, for example, 3Com simultaneously announced 12 new hardware products in Budapest, Hong Kong, Paris, Sao Paulo, Stockholm and Milan. These products range from network adapter cards, to structured wiring hubs for directing and managing networks, to bridgers and routers for connecting local and remote networks.

These are some of the fruit of $120m spent in research and development over the past three years as 3Com beefed up one of the industry's broadest product lines.

In April 3Com launched the well-received NETbuilder II router that positions it solidly in "internetworking", the trend toward linking far-flung local and wide area networks which enables users to connect their existing incompatible networking equipment without having to purchase a completely new networking system.

The internetworking market has huge growth potential. According to Frost and Sullivan, the US market research firm, 70 to 80 per cent of the 3.7m LANs installed to date have yet to be linked to internetworks. With the number of LANs expected to grow to 12.7m by 1995, growth in the internetworking market may even exceed the pace of growth in the LANs.

3Coms other product plans include an Etherlink family of adapter cards for the 100 megabit-per-second Fiber Distributed Data Interface (FDDI) marketplace. These products are aggressively priced yet carry good profit margins, analysts say.

The company has also announced a strategy for Asynchronous Transfer Mode products. It also is expected to launch adapter card products for use in Apple Macintosh computers and portable PCs.

3Com still faces some stiff competition. In the adapter board business, for example, Intel, the leading microprocessor manufacturer, has been making a run at becoming a big time player with aggressively priced 16-bit cards. 3Com also faces stiff competition in the internetworking market from companies such as Cisco Systems and Wellfleet.

Nonetheless, 3Com has positioned itself to participate in the fastest growing segments of the networking equipment market and in particular is targetting the European market.

This year, 3Com announced the acquisition of the networking operations of BICC Group plc, Europe's largest manufacturer of networking hubs. The acquisition is expected to strengthen 3Com's market position by expanding its hub and low-end internetworking lines.

3Com has also recently opened a new manufacturing plant near Dublin, Ireland. The new plant, in Blanchardstown, represents an investment of $16.5m and is 3Com's first production plant outside the US.

Totaling 60,000 square feet and expected to employ 175 people within four years, the new facility has been specifically designed for the production of 3Com's network adapter cards but may, if necessary, be expanded to produce internetworking products, the company said.

William Arnold

PROFILE: CISCO

Not prepared to play second fiddle

AMONG Silicon Valley's "hot" high-growth companies, Cisco Systems is a sizzler. The networking equipment manufacturer's revenues have soared over the past four years with rising demand for products that link incompatible computers and local area networks (LANs) into enterprise-wide "internetworks".

Cisco and others in the internetworking field provide solutions to the problems of companies and organisations that find themselves with a muddle of different types of incompatible computers that cannot "talk" directly to one another. While there is broad recognition of the advantages of linking computers into a single "internetwork" the task is like that of sorting out a Tower of Babel.

"It is as if you had people trying to communicate by telephone speaking different languages," explains Mr John Chambers, Cisco senior vice-president.

The obvious solution would be to demand that all computers adhere to standards so that they can share data directly and all "speak the same language".

This, in fact, is the ultimate goal of "open systems" advocates. In the meantime, however, computer users are seeking ways to exploit the full potential of their existing computer systems as well as tying them in to new equipment.

Rather than attempting to force computer users to buy only computers that comply with a particular set of data communications protocols, Cisco aims to enable users to link any and every type of computer on a single "internetwork".

"The network should be chosen to suit the computing technology – not the computing technology to suit the network," Cisco maintains.

Cisco's "routers", "bridges" and "communications servers" are used to sort computer data into "packets", regardless of the data communications protocols, and then to find the most efficient and economical route to deliver them to their destination on the network. They also assign priorities to different packets, delivering the most urgent ones first.

The market for such "internetworking" products has grown rapidly over the past few years as corporate computer users have looked for ways to connect different types of computers and LANs into a single internetwork.

Sales of internetwork equipment will increase from $344m in 1989 to $892m in 1994, according to International Data (IDC), a US market research group.

Cisco's roots, like those of Sun Microsystems, the leading computer workstations manufacturer, lie in a Stanford University project to build a campus-wide network connecting all departments and laboratories.

Work on this experimental network, in the late 1970s helped to establish several networking standards.

The Stanford group worked closely with the Defense Department's Advanced Research Projects Agency (Darpa) task force assigned to defining a new network protocol for use in the international defense research network, Arpanet. This work led to the development of the Transmission Control Protocol and Internet Protocol (TCP/IP) which have become de facto standards internetworking.

One of the biggest challenges – and opportunities – facing the internetworking industry is developing ways to link systems based on IBM proprietary networking protocols into PC-based local area networks

The Stanford network became one of the world's largest LANs in the 1980s, linking thousands of terminals, personal computers, workstations and mainframe computers. Recognising the commercial potential of their work, Mr Len Bosack director of computer facilities for Stanford's Computer Science Department and Sandy Lerner, director of computer facilities in the Graduate School of Business, formed Cisco in 1984.

By late 1987, Cisco's monthly revenues were approximately $250,000. Five years later, they are running close to $38m per month.

For fiscal 1992, ending in July, the company reported sales of almost $340m, up 85 per cent from 1991, with net income of over $84m an increase of 95 per cent from the pervious fiscal year.

One of the biggest challenges – and opportunities – facing the internetworking industry is developing ways to link systems based upon International Business Machines' proprietary networking protocols into PC-based LANs.

Over 60 per cent of large US companies use IBM's Systems Network Architecture (SNA) as the primary method for tying their computers together. These networks form the backbone of data communications for many companies, but they are based upon an hierarchical computing model that is rapidly becoming outdated by "peer to peer" networks of PCs and workstations.

Last March IBM made what it called its "most important networking announcement since the introduction of SNA in 1974".

Big Blue unveiled its plans for an Advanced Peer-to-Peer Networking (APPN) scheme that will give mainframe computers an equal footing with other computers, even PCs, on a network.

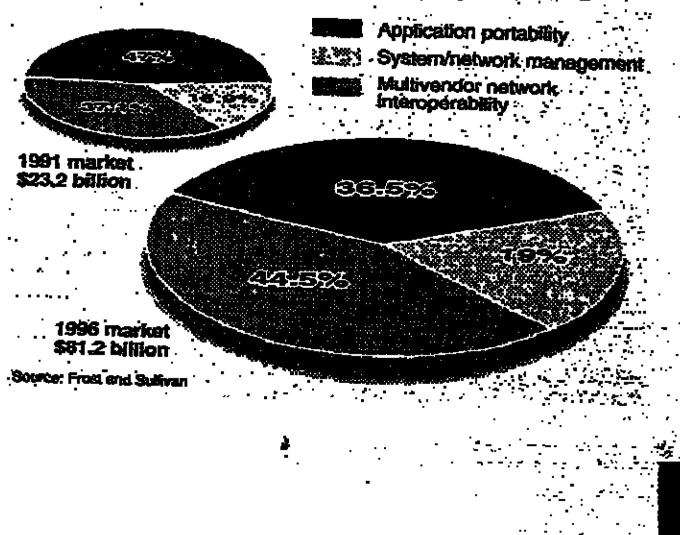
IBM promised to make its new APPN protocols available to other computer makers so that they could build products that can talk to IBM networks. Rather than play second fiddle to IBM, however, Cisco is establishing a consortium of companies involved in networking to develop "open" standards for linking SNA networks to LANs.

Taking on the computer industry giant, Cisco is promoting its competing Advanced Peer-to-Peer Internetworking (APPI), as an open, free-of-charge standard available to all users and vendors.

This bold bid to usurp IBM's traditional role as the computer industry's "standards setter" may determine whether Cisco can continue to set industry records for growth.

Louise Kehoe

US open systems market



Source: Frost and Sullivan